

WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI
(An Enterprise Fund of the City of St. Louis, Missouri)

Basic Financial Statements and Other Information

June 30, 2025

(With Independent Auditors' Report Thereon)



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WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI
(An Enterprise Fund of the City of St. Louis, Missouri)

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of
The Board of Aldermen of the
City of St. Louis, Missouri
Water Division of the City of St. Louis, Missouri
St. Louis, Missouri

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Water Division (an enterprise fund) of the City of St. Louis, Missouri (Water Division) as of and for the year ended June 30, 2025 and the related notes to the financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water Division as of June 30, 2025, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Water Division, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

As discussed in Note 1, the financial statements present only the Water Division and do not purport to, and do not, present fairly the financial position of the City of St. Louis, Missouri, as of June 30, 2025, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As disclosed in Note 1, the Water Division implemented the provisions of Governmental Accounting Standards Board Statement No. 101 – *Compensated Absences*. The Standard aligns the recognition and measurement of compensated absences under a unified model. Beginning net position was adjusted related to the new standard. Our opinion is not modified with respect to this matter.

Honorable Mayor and Members of
The Board of Aldermen of the
City of St. Louis, Missouri
Water Division of the City of St. Louis, Missouri

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Water Division's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Honorable Mayor and Members of
The Board of Aldermen of the
City of St. Louis, Missouri
Water Division of the City of St. Louis, Missouri

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Schedule 1 and Schedule 2, which are the responsibility of management, are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2025, on our consideration of the Water Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Water Division's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Water Division's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Louis, Missouri
December 17, 2025

WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI

(An Enterprise Fund of the City of St. Louis, Missouri)

Management's Discussion and Analysis – Unaudited

June 30, 2025

(Dollars in thousands)

This section presents Management's Discussion and Analysis (MD&A) of the financial condition and activities of the Water Division of the City of St. Louis, Missouri (Water Division) for the City of St. Louis, Missouri (the City) as of and for the fiscal year ended June 30, 2025. This information should be read in conjunction with the financial statements that follow this section. All dollar amounts are in thousands.

Overview and Financial Highlights

The Water Division is an enterprise fund of the City. As such, its revenues are dedicated to the completion of its mission to provide the finest quality water and customer service at reasonable prices to the residents, businesses, and industry within the City, as well as to its wholesale customers.

The retail water billing system is split between flat rate and metered customers. Most residential customers (81,816 accounts) are billed quarterly on a flat rate basis. This flat rate system comprises charges for water-using devices such as toilets, bathtubs, showers, the number of rooms in the building, and a charge for outside water use. All businesses, industries, and some residential customers are charged on the metered rate structure. This is a declining block rate structure composed of a quantity charge and a readiness-to-serve charge that is tied to the meter size. Metered users (12,759 accounts) are read and billed quarterly.

At fiscal year-end, the Water Division supplied wholesale water to other water districts/political subdivisions through four separate contracts: one in St. Louis county and three in St. Charles county.

- The Water Division pumped 46.9 billion gallons of treated water in fiscal year 2025.
- Usage by metered customers decreased by 0.3 million gallons in fiscal year 2025 but metered revenue increased by \$3,864, or 14% during fiscal year 2025.
- The number of flat rate customers in fiscal year 2025 increased by 323 or 0.4%, and flat rate revenue increased by \$3,770 or 11%.
- Wholesale water revenue decreased by \$1,393, or 23%, during fiscal year 2025.
- Other revenue increased by \$102, or 5%, during fiscal year 2025.
- Operating expenses increased by \$3,660, or 5%, during fiscal year 2025.
- Operating revenues increased by \$6,343, or 9%, during fiscal year 2025.
- The overall change in net position for fiscal year 2025 was (\$2,042), an increase of \$2,988, or 59%, compared to fiscal year 2024.

Overview of the Financial Statements

The MD&A section of this report is an overview of the basic financial statements presented herein. Supplementary or reformatted information is presented to better describe the financial condition and performance of the water system. The Water Division's financial statements are prepared on an accrual basis in accordance with U.S. generally accepted accounting principles set forth by the Governmental Accounting Standards Board (GASB). The Water Division is an enterprise fund of the City. As such, the Water Division relies entirely on the funds it generates, and which are dedicated to its operations.

WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI

(An Enterprise Fund of the City of St. Louis, Missouri)

Management's Discussion and Analysis – Unaudited

June 30, 2025

(Dollars in thousands)

Revenues are recognized when earned and expenses are recognized when incurred. Capitalized assets (excluding land) are depreciated over their useful lives. Through the City, the Water Division has authority to issue revenue bonds secured by the revenues of the water system.

The basic financial statements include a balance sheet; a statement of revenues, expenses, and changes in fund net position; a statement of cash flows; and notes to the basic financial statements. The balance sheet provides information regarding the type and amount of resources and obligations at year-end. The statement of revenues, expenses, and changes in fund net position reflects the results of the water system's operations during the year as well as how net position changed over the year. The statement of cash flows presents changes in cash and cash equivalents that resulted from operating, financing, or investing activities.

The notes to the basic financial statements contain important information including required disclosures and other information essential for a complete understanding of the financial data presented in the various statements.

Net Position

This table is a summary of the Water Division's net position as of June 30, 2025 and 2024:

	2025	(As Restated) 2024	Dollar change	Percentage change
Assets:				
Other assets	\$ 30,721	34,811	(4,090)	(12)%
Capital assets	180,689	176,496	4,193	2
Deferred outflow of resources	2,295	5,898	(3,603)	(61)
 Total assets and deferred outflow of resources	 \$ 213,705	 217,205	 (3,500)	 (2)%
Liabilities:				
Long-term liabilities	\$ 25,574	30,596	(5,022)	(16)%
Other liabilities	26,994	24,780	2,214	9
Deferred inflow of resources	1,488	138	1,350	978
 Total liabilities and deferred inflow of resources	 \$ 54,056	 55,514	 (1,458)	 (3)%
Net position:				
Net investment in capital assets	\$ 176,534	171,154	5,380	3 %
Restricted for debt service	1,035	1,034	1	—
Unrestricted	(17,920)	(10,497)	(7,423)	71
 Total net position	 \$ 159,649	 161,691	 (2,042)	 (1)%

WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI

(An Enterprise Fund of the City of St. Louis, Missouri)

Management's Discussion and Analysis – Unaudited

June 30, 2025

(Dollars in thousands)

Other assets decreased from fiscal year 2024 by \$4,090, or 12%, mostly due to an overall decrease in cash and investment accounts of \$5,252 due to cash receipts falling short of spending. Due from the City of St. Louis, Missouri decreased by \$265 due to a decrease in due from the Collector of Revenue. Right to use lease assets, net, and intangible assets, net, also decreased by \$53 and \$317, respectively, due to depreciation and amortization. Offsetting these decreases are increases in accounts receivable (net), unbilled revenues, supplies and materials of \$1,797. Capital assets increased from fiscal year 2024 by \$4,193, or 2%, due to asset additions of \$12,055 less depreciation of \$7,338 and retirement of \$524. During fiscal year 2025, the trend continued in spending of capital projects for system improvements and purchase of motor vehicles and construction equipment.

Deferred outflow of resources decreased by \$3,603 or 61%, mostly due to a decrease in net differences between the projected and actual earnings on the pension plan investments and an increase in actual contributions made subsequent to the measurement date of the pension plan.

The decrease in long-term liabilities of \$5,022 or 16%, is mostly due to a decrease of \$4,827, or 25% in Net Pension Liability and the reclass of the current maturities of water revenue payable of \$497 and other liability to the City of St. Louis, MO of \$122 to current liabilities. Additionally, sick leave liability decreased by \$132 due to payments made to employees who retired during the fiscal year. Offsetting these decreases are increases in customer deposits of \$239 due to increase in deposit receipts, and unearned revenue of \$349 due to increase in receipts of service line insurance. As of June 30, 2025, the net pension liability is \$14,871.

Other liabilities increased by \$2,214, or 9%, from 2024 mostly due to an increase of \$1,139 in Due to the City of St. Louis, MO. This increase can be attributed to increases in workmen's compensation IBNR reserve, unpaid invoices of City services and gross receipts tax. Other increases accounts and wages payable of \$508 and vacation, medical leave and current portion of sick leave liability of \$641. On June 30, 2025, accrued liabilities related to probable pending claims and litigation is \$355.

As a result of implementing GASB Statement No. 101, "Compensated Absences", which requires the recognition of a liability for compensated absences that accumulate and are paid upon separation or retirement, the total net position for fiscal year 2024 was restated. The net position was reduced from \$162,048 to \$161,691, a decrease of \$357. This change recognized the portion of accrued medical leave that is considered "more likely than not" to be used for time off.

Deferred inflow of resources increased by \$1,350, or 978% due to net differences between the projected and actual earnings on the pension plan investments.

The preceding table shows that 111% of Water Division net position in fiscal year 2025 are invested in capital assets such as land, buildings, reservoirs, basins, transmission and distribution mains, and equipment, less the related debt outstanding used to acquire those capital assets. These capital assets are used to provide water services to all customers of the Water Division. These capital assets were either cash financed, contributed capital, or acquired through the issuance of revenue bonds.

WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI

(An Enterprise Fund of the City of St. Louis, Missouri)

Management's Discussion and Analysis – Unaudited

June 30, 2025

(Dollars in thousands)

Summary of Revenues, Expenses, and Changes in Net Position

The Water Division's revenues, expenses, and changes in net position for the fiscal years ended June 30, 2025 and 2024, are summarized as follows:

	2025	(As restated) 2024	Dollar change	Percentage change
Operating revenues	\$ 75,656	69,313	6,343	9 %
Operating expenses	<u>(74,850)</u>	<u>(71,190)</u>	<u>(3,660)</u>	<u>5</u>
Operating income/(loss)	806	(1,877)	2,683	(143)
Nonoperating revenues, net	<u>404</u>	<u>849</u>	<u>(445)</u>	<u>(52)</u>
Income/(loss) before transfers	1,210	(1,028)	2,238	(218)
Transfers in	976	—	976	100
Transfers out	<u>(4,228)</u>	<u>(4,002)</u>	<u>(226)</u>	<u>6</u>
Decrease in net position	\$ <u>(2,042)</u>	<u>(5,030)</u>	<u>2,988</u>	<u>(59)%</u>
Net position, end of year	\$ 159,649	161,691	(2,042)	(1)%

WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI

(An Enterprise Fund of the City of St. Louis, Missouri)

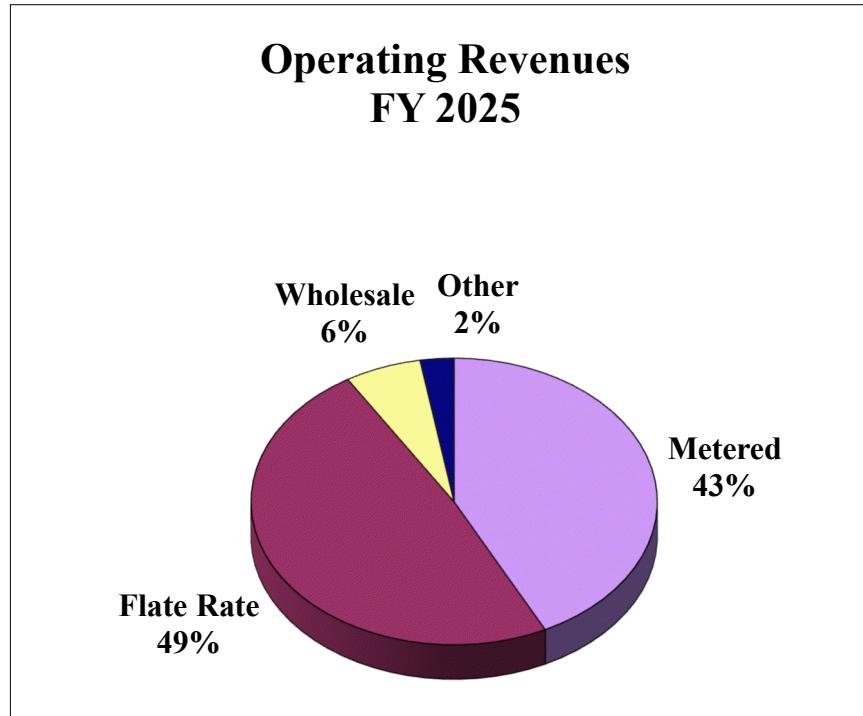
Management's Discussion and Analysis – Unaudited

June 30, 2025

(Dollars in thousands)

Revenues

The chart below depicts the four sources of operating revenue for the Water Division for fiscal year 2025 and each source's percentage contribution to total operating revenues:



WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI

(An Enterprise Fund of the City of St. Louis, Missouri)

Management's Discussion and Analysis – Unaudited

June 30, 2025

(Dollars in thousands)

The table below summarizes the sources of total revenues (operating and nonoperating) for the Water Division for fiscal years 2025 and 2024. This comparison details the change in dollars and percent between the two fiscal years by component revenue source.

	2025	2024	Dollar change	Percentage change
Operating revenues:				
Metered	\$ 32,216	28,352	3,864	14 %
Flat rate	36,806	33,036	3,770	11
Wholesale	4,602	5,995	(1,393)	(23)
Other	2,032	1,930	102	5
Total operating revenues	<u>75,656</u>	<u>69,313</u>	<u>6,343</u>	<u>9</u>
Nonoperating revenues:				
Investment earnings, net	584	901	(317)	(35)
Grant Revenue	182	—	182	100
Miscellaneous, net	428	246	182	74
Total nonoperating revenues	<u>1,194</u>	<u>1,147</u>	<u>47</u>	<u>4</u>
Total revenues	<u>\$ 76,850</u>	<u>70,460</u>	<u>6,390</u>	<u>9 %</u>
Transfers in from other funds of the City of St. Louis, Missouri	\$ 976	—	976	100 %

The increases in both metered and flat rate revenues are attributed to the two-water rate increases of 20% which took effect on July 1, 2023, and January 1, 2024.

Metered water revenue increased by \$3,864, or 14% and flat rate revenue increased by \$3,770, or 11%. Although the number of metered customers decreased by 118 accounts, or 1%, consumption only decreased by .3 million gallons. Flat rate customers increased by 323 accounts, or 0.4%.

Wholesale revenue decreased by \$1,393 or 23% due to a decrease in total consumption of 1,460 million gallons.

Other revenues increased by 102 or 5%, compared to fiscal year 2024 due to an increase in completed reimbursable projects in fiscal year 2025.

Investment earnings, net, decreased by \$317, or 35%, due to a decrease in investments during fiscal year 2025.

Miscellaneous revenues, net, increased by \$182, or 74%, mostly due to an increase in sales of surplus items and scrap metals.

WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI

(An Enterprise Fund of the City of St. Louis, Missouri)

Management's Discussion and Analysis – Unaudited

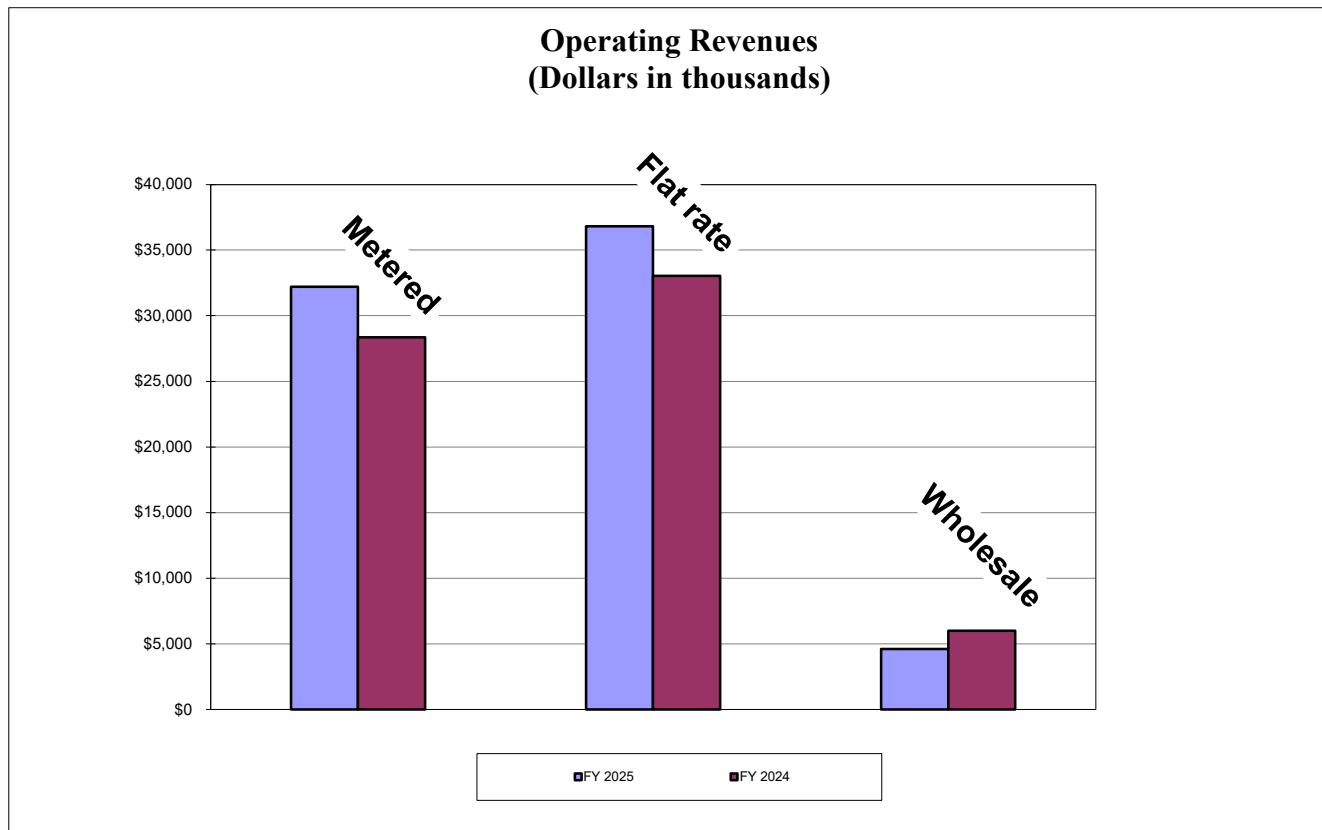
June 30, 2025

(Dollars in thousands)

The grant revenue of \$182 is a grant received from the State of Missouri for Lead Service Line Inventory Project.

Transfers in consisted of ARPA funds awarded by the City of St. Louis, Missouri for Water Relief and Infrastructure. In fiscal year 2025, the total grant expended was \$976 out of \$1,200.

The chart below graphically displays the changes in the metered, flat rate, and wholesale revenue components of operating revenues from fiscal year 2024 to fiscal year 2025.



WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI

(An Enterprise Fund of the City of St. Louis, Missouri)

Management's Discussion and Analysis – Unaudited

June 30, 2025

(Dollars in thousands)

Expenses

The table below summarizes the Water Division's expenses for fiscal years 2025 and 2024:

	2025	(As Restated) 2024	Dollar change	Percentage change
Operating expenses:				
Supply and purification	\$ 25,485	26,154	(669)	(3)%
Transmission and distribution	18,140	16,139	2,001	12
Power and pumping	9,548	10,353	(805)	(8)
Depreciation (not allocated to other operating expenses)	6,450	6,022	428	7
Administrative and general	7,459	6,006	1,453	24
Interfund service used	4,355	3,084	1,271	41
Customer accounting	2,060	2,178	(118)	(5)
Cost of service line maintenance	543	539	4	1
Collector of revenue's fee, net	797	1,062	(265)	(25)
Cost of community service	13	10	3	30
Total operating expenses	74,850	71,547	3,303	5
Nonoperating expenses:				
Interest expense on long-term obligations	266	254	12	5
Loss on disposal of capital assets	524	44	480	1,091
Total nonoperating expenses	790	298	492	165
Total expenses	\$ 75,640	71,845	3,795	5 %
Transfers to City of St. Louis, Missouri	\$ 4,228	4,002	226	6 %

Total operating expenses increased by \$3,303, or 5%, in fiscal year 2025 compared to fiscal year 2024. This increase is mostly driven by the following factors: increases in contractual services of \$1,476, bad debt expense of \$1,206, material and supplies of \$652, depreciation expense of \$428, and interfund services of \$1,271. Offsetting these increases are decreases in chemicals of \$68, purchased power of \$134, support services of \$87, Collector of Revenue's fee of \$265 and payroll expenses of \$82. Additionally, operating expenses decreased due to an increase of \$1,080 in transfers out of completed projects to capital assets and billables.

Salaries, wages and benefits (excluding pension) increased by \$1,727. This increase is due to slightly improved staffing levels in some sections of the Water Division, coupled with an across-the-board salary increase (3% plus a 1.5% yearly "step increase"). However, this increase was largely offset by a \$1,452 decrease in pension expenses and a restatement of fiscal year 2024 payroll expenses which resulted in an increase of \$357 due to the implementation of GASB Statement No. 101, "Compensated Absences". This restatement recognized the portion of accrued medical leave considered "more likely than not" to be used for time off. As a result of these offsets, total payroll expenses decreased by \$82 compared to fiscal year 2024.

WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI

(An Enterprise Fund of the City of St. Louis, Missouri)

Management's Discussion and Analysis – Unaudited

June 30, 2025

(Dollars in thousands)

Supply and purification decreased by \$669 or 3%. Chemicals, which totaled \$13,773 in fiscal year 2025, decreased by \$68 from fiscal year 2024 due to a decrease in water production by 4%. Other decreases include payroll expenses of \$278, other services of \$307, materials and supplies of \$28 and depreciation of \$5 while support services increased by \$17.

Transmission and distribution expenses increased by \$2,001, or 12%, from fiscal year 2024. Most of the increase can be attributed to contractual services which totaled \$8,122 in fiscal year 2025, an increase of \$1,783, or 28%. The Water Division continued to utilize utility construction contractors to supplement its crews with water main, valve and fire hydrant repairs. There were 330 main breaks in fiscal year 2025 compared to 372 in 2024. Although the trend shows a decrease in number of breaks, the cost of repairs has not gone down. This is because the severity of water main breaks varies greatly, impacting water service disruption to structural damage. Small breaks may be isolated and easily repaired, while larger breaks can lead to flooding, traffic disruptions and longer lead time of repair completion. Payroll expenses increased by \$598 due to increase in staffing level. Other increases include materials and supplies by \$578 and support services by \$155. Transfers out of completed projects to capital assets and billables increased by \$1,080, or 30%, which in effect decreased expenses. Depreciation expense also decreased by \$33.

Power and pumping expenses decreased by \$805, or 8%. Purchased power decreased by \$134 or 3%, due to decrease in pumping. Payroll expenses, support services and other services also decreased by \$392, \$198 and \$108, respectively. Materials and supplies and right-to-use lease increased by \$27.

Administrative and general expenses increased by \$1,453, or 24%. Bad debt expense which totaled \$3,929 in fiscal year 2025, increased by \$1,206, because of the moratorium still in effect on water shuts on delinquent accounts. Payroll expenses increased by \$72, support services by \$25, and materials and supplies by \$76. Additionally, other services increased by \$77. An accrual of probable pending litigations (which is part of other services) of \$304 was recorded in fiscal year 2024 and was partially settled in fiscal year 2025. In fiscal year 2025, an accrual of \$355 was recorded, which resulted to a total of \$141 in pending litigations, an increase of \$225 from fiscal year 2024. Offsetting this increase in other services are decreases in professional services, computer services, facilities and ground services by \$148.

Interfund services used increased by \$1,271 or 41%. Payments to the Settlement Fund to workers' compensation expenses and IBNR plus reserve increased by \$431, or 24%. Workers' compensation costs are managed by the Settlement Fund, an internal service-fund of the City of St. Louis, Missouri. The Water Division reimburses the Settlement Fund for these paid claims on a cost-reimbursement basis. Reimbursement to the City for services it provides to the Water Division through cost allocation totaled \$1,676, an increase of \$278, or 20%. Fleet repair services and other City services that were paid directly to the City increased by \$562.

Customer accounting expenses decreased by \$118 or 5%, mostly due to decreases in salaries, wages and benefits of \$83, support services by \$86 and depreciation expense by \$5. Other services increased by \$32, primarily due to fleet repairs, and materials and supplies by \$24, resulting from the purchase of tablets for the water meter crew.

Service line maintenance costs increased by \$4, or 1% from fiscal year 2024.

The Collector of Revenue's fee decreased by \$265, or 25% from fiscal year 2024.

WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI

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Management's Discussion and Analysis – Unaudited

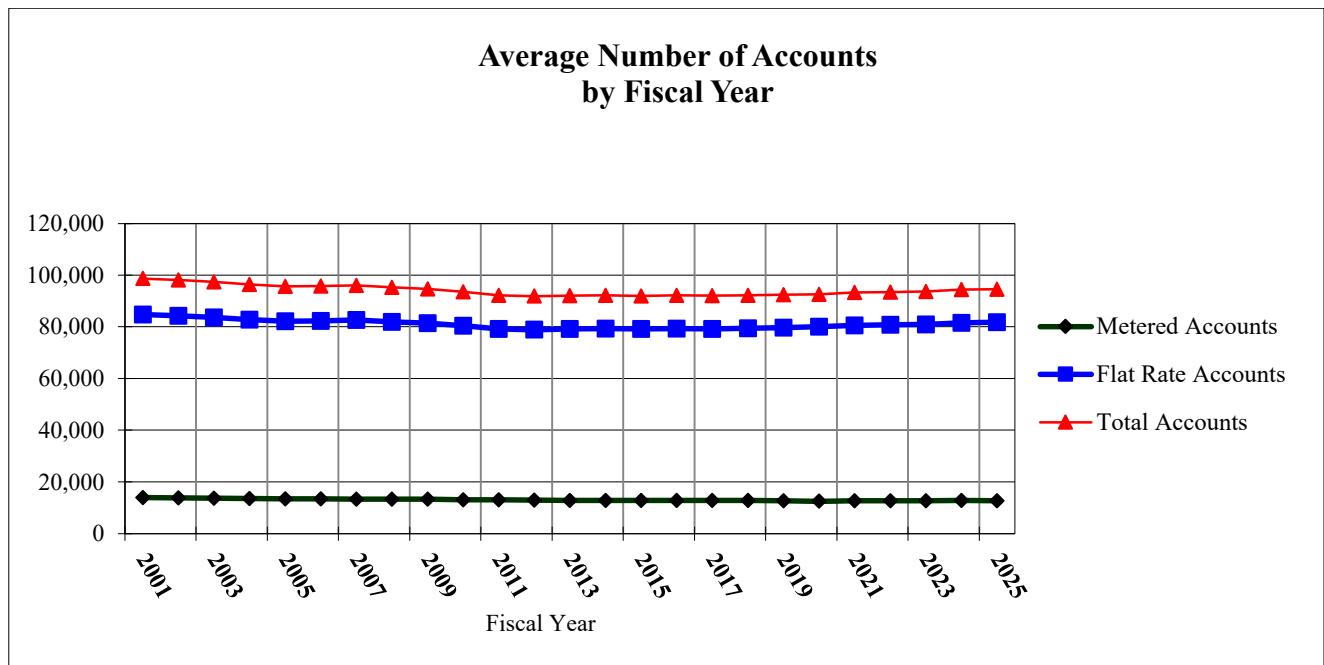
June 30, 2025

(Dollars in thousands)

General Trends and Significant Events

In June 2023, the City of St. Louis passed Ordinance 71683 which authorized a three-tiered water rate increases as follows: (1) 20% across the board water rate increase effective July 1, 2023; (2) 20% across the board water rate increase effective January 1, 2024 and (3) on January 1 of each calendar year from January 1, 2026 and thereafter, (a) across the board water rate increase based on the annual change in CPI-U for the preceding calendar year as published by the US Bureau of Labor Statistics in the event that the CPI-U for the preceding calendar year is a positive number; and (b) in the event the CPI-U for the preceding calendar year is not a positive number, the rate shall continue without change for another calendar year.

The chart below depicts the number of flat rate and metered accounts over the last 24 years.



WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI

(An Enterprise Fund of the City of St. Louis, Missouri)

Management's Discussion and Analysis – Unaudited

June 30, 2025

(Dollars in thousands)

Rate Covenant

Article VII of the Fourth Supplemental Indenture of Trust dated November 1, 2013, sets forth covenants applicable for the Series 2013 Water Revenue Refunding Bonds (Series 2013 Bonds). One of the covenants is that the City will enforce charges for services as provided in Section 810 (C) (b) of the original Indenture of Trust dated April 1, 1994 which requires that as long as bonds remain outstanding and unpaid, the City will adopt or continue in effect water rates sufficient to produce net revenues for the next succeeding fiscal year at least equal to one hundred ten percent (110%) of the amount of the principal and interest coming due on all bonds during the next succeeding fiscal year. Additionally, if the City has not adjusted water rates within a 24-month period since the last adjustment, the City shall engage a consulting engineer to perform a water rate study for the purpose of determining net revenues for the next succeeding two-year period. If the study indicates that rate adjustment is necessary to comply with the rate covenants, the City agrees to make the necessary action to comply with the rate covenants. A water rate study was completed in October 2021.

With the passage of Ordinance 71683, the two-water rate increases of 20% which took effect on July 1, 2023, and January 1, 2024, the Water Division was able to meet its debt service coverage ratio required by the Indenture of Trust for the fiscal year 2025. At June 30, 2025, the Water Division's debt coverage ratio was calculated at 1,073% compared to 393% in fiscal year 2024.

Capital Assets and Long-Term Debt

Total capital assets being depreciated increased by \$13,425 or 4%, from fiscal year 2024 to fiscal year 2025. The increase mostly reflects completed improvement projects to pumping and purification equipment, building and structures of \$5,927. Additional net capital spending of 7,467 on water mains, lines, and accessories throughout the water distribution system also contributed to the increase. Capital assets also increased by \$31 due to purchases of replacement motor vehicles, construction and maintenance equipment.

The Water Division recorded noncancelable long-term leases of equipment and recorded a right-to -use lease asset for \$180 in fiscal year 2024. As of June 30, 2025, the right -to-use lease asset has a balance of \$126.

During fiscal year 2014, and pursuant to authority granted in Ordinance 69504, the City authorized the Water Revenue Refunding Bonds (State of Missouri-Direct Loan Program) Series 2013, in an aggregate principal amount to not exceed \$9,500. This drawdown loan was used to fund projects associated with the extension, improvement, purchase, acquisition, construction, and enlargement of the City's Waterworks System. The revenue bonds mature annually through fiscal year 2034 with a fixed rate of 1.56%. The final drawdown was completed in fiscal year 2017.

Requests for Additional Information

The financial information presented in this document is intended to provide a general overview of the Water Division's finances. Any questions regarding the information provided in this report should be addressed to the Finance Office, City of St. Louis Water Division, 1640 South Kingshighway, St. Louis, Missouri 63110.

WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI
(An Enterprise Fund of the City of St. Louis, Missouri)

Balance Sheet

June 30, 2025

(In thousands)

Assets and Deferred Outflow of Resources

Current assets:

Cash and cash equivalents:		
Restricted	\$	1,270
Unrestricted		2,287
Investments-unrestricted		4,871
Accounts receivable, net		5,770
Unbilled water revenue		5,679
Unbilled revenue-other services		166
Supplies and materials inventory		4,747
Other assets		334
Other receivable		9
Due from City of St. Louis, Missouri		550
 Total current assets		 25,683
Noncurrent assets:		
Investments-restricted		3,534
Capital assets, net:		
Nondepreciable		6,478
Depreciable		174,211
Right to use lease, net		106
Intangible assets, net		1,398
 Total noncurrent assets		 185,727
Deferred outflow of resources – pension		2,295
 Total assets and deferred outflow of resources	\$	 213,705

WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI
 (An Enterprise Fund of the City of St. Louis, Missouri)

Balance Sheet

June 30, 2025

(In thousands)

Liabilities, Deferred Inflow of Resources, and Net Position

Current liabilities:

Payable from unrestricted assets:	
Accounts and wages payable	\$ 5,352
Vacation leave liability	2,473
Medical leave liability	406
Sick leave liability	48
Other accrued liabilities	2,657
Unearned revenue	2,718
Current portion of lease liabilities	32
Due to City of St. Louis, Missouri	<u>12,715</u>
Total current liabilities payable from unrestricted assets	<u>26,401</u>

Payable from restricted assets:

Current maturities of water revenue bonds payable	497
Accrued interest payable	<u>96</u>
Total current liabilities payable from restricted assets	<u>593</u>
Total current liabilities	<u>26,994</u>

Noncurrent liabilities:

Water revenue bonds payable	4,361
Lease liabilities	94
Customer deposits – payable from restricted assets	1,528
Unearned revenue – payable from restricted assets	2,241
Net pension liability	14,871
Other liability due to the City of St. Louis, Missouri	1,999
Sick leave liability	<u>480</u>
Total noncurrent liabilities	<u>25,574</u>

Deferred inflow of resources – pension

Total liabilities and deferred inflow of resources	<u>54,056</u>
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Net position:

Net investment in capital assets	176,534
Restricted for debt service	1,035
Unrestricted	<u>(17,920)</u>
Total net position	<u>159,649</u>
Total liabilities, deferred inflow of resources, and net position	<u>\$ 213,705</u>

See accompanying notes to basic financial statements.

WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI
 (An Enterprise Fund of the City of St. Louis, Missouri)

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2025

(In thousands)

Operating revenues:		
Metered	\$ 32,216	
Flat rate	36,806	
Wholesale	4,602	
Other	2,032	
Total operating revenues	<u>75,656</u>	
Operating expenses:		
Supply and purification	25,485	
Transmission and distribution	18,140	
Power and pumping	9,548	
Depreciation (not allocated to other operating expenses)	6,450	
Administrative and general	7,459	
Interfund services used	4,355	
Customer accounting	2,060	
Cost of service line maintenance	543	
Collector of Revenue's fee, net	797	
Cost of community service	13	
Total operating expenses	<u>74,850</u>	
Operating income	<u>806</u>	
Nonoperating revenues (expenses):		
Investment earnings	584	
Interest expense on long-term obligations	(266)	
Grant Revenue	182	
Miscellaneous, net	428	
Loss on disposal of capital assets	(524)	
Total nonoperating revenues, net	<u>404</u>	
Income before transfers	1,210	
Transfers in from other funds of the City of St. Louis, Missouri	<u>976</u>	
Transfers to other funds of the City of St. Louis, Missouri	<u>(4,228)</u>	
Total transfers	<u>(3,252)</u>	
Decrease in net position	<u>(2,042)</u>	
Total net position, beginning of year	162,048	
Effect of change in accounting principle	<u>(357)</u>	
Total net position, beginning of the year, as adjusted	161,691	
Total net position, end of year	<u>\$ 159,649</u>	

See accompanying notes to basic financial statements.

WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI
 (An Enterprise Fund of the City of St. Louis, Missouri)

Statement of Cash Flows

Year ended June 30, 2025

(In thousands)

Cash flows from operating activities:

Receipts from customers and users	\$ 71,409
Payments to suppliers of goods and services	(37,867)
Payments to employees	(20,178)
Payments for interfund services used	<u>(3,721)</u>
Net cash provided by operating activities	<u>9,643</u>

Cash flows from noncapital financing activities:

Interest and principal paid on share of bond pension liability	(298)
Transfers to other funds of the City of St. Louis, Missouri	(3,164)
Proceeds from grants	<u>182</u>
Net cash used in noncapital financial activities	<u>(3,280)</u>

Cash flows from capital and related financing activities:

Acquisition and construction of capital assets	(12,055)
Interest paid on water revenue bonds	(83)
Principal paid on water revenue bonds	(486)
Other capital and financing activities	<u>425</u>
Net cash used in capital and related financing activities	<u>(12,199)</u>

Cash flows from investing activities:

Purchase of investments	(2,315)
Proceeds from sales and maturities of investments	7,271
Interest income on cash and investments	<u>584</u>
Net cash provided by investing activities	<u>5,540</u>
Net decrease in cash and cash equivalents	<u>\$ (296)</u>

Cash and cash equivalents at beginning of year:

Unrestricted	\$ 1,677
Restricted	<u>2,176</u>
	<u>\$ 3,853</u>

Cash and cash equivalents at end of year:

Unrestricted	\$ 2,287
Restricted	<u>1,270</u>
	<u>\$ 3,557</u>

WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI
 (An Enterprise Fund of the City of St. Louis, Missouri)

Statement of Cash Flows

Year ended June 30, 2025

(In thousands)

Reconciliation of operating loss to net cash provided by operating activities:

Operating income	\$ 806
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	7,338
Amortization	317
Changes in assets and liabilities:	
Accounts receivable, net	(677)
Unbilled revenue	(301)
Supplies and materials inventory	(566)
Other assets	(253)
RTU lease, net	22
Accounts and wages payable	1,017
Other accrued liabilities	(156)
Unearned revenue	422
Due to/from City of St. Louis, Missouri	1,431
Customer deposits	239
Net pension liability, net of deferrals	126
Pension bond liability	<u>(122)</u>
Total adjustments	<u>8,837</u>
Net cash provided by operating activities	<u>\$ 9,643</u>
Supplemental disclosures of noncash activities:	
Loss on disposal of capital assets	\$ 524
Capital assets included in accounts payable	278

See accompanying notes to basic financial statements.

WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to the Basic Financial Statements

June 30, 2025

(In thousands)

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The basic financial statements include only the Water Division of the City of St. Louis, Missouri (the Water Division). The Water Division represents a separate enterprise fund of the City of St. Louis, Missouri (the City), and therefore, the basic financial statements of the Water Division are not intended to present the financial position, changes in financial position, and cash flows of the City as a whole in conformity with U.S. generally accepted accounting principles.

(b) Basis of Accounting

Governmental enterprise funds are used to account for operations of governmental entities that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Water Division prepares its basic financial statements in accordance with U.S. generally accepted accounting principles for governmental enterprise funds that are similar to those for commercial enterprises. Accordingly, the economic resources measurement focus and accrual basis of accounting are used, whereby expenses are recorded when incurred and revenues when earned. Unbilled water revenues are accrued based on estimated billings for service provided through the end of the current fiscal year. In reporting its financial activity, the Water Division applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's ongoing operations. The principal operating revenues of the Water Division are charges to customers for water service. Operating expenses include the cost of services, administrative expenses, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(c) Accounts Receivable, Net

Accounts receivable at June 30, 2025, consist of \$22,026 due from metered and flat rate customers and \$927 due from other customers. Such amounts are recorded net of an allowance for uncollectible accounts of \$17,183.

(d) Unbilled Water Revenue

The Water Division records the estimated amount of accrued, but unbilled, water revenue. This is a result of the Water Division billing its metered customers after the three-month billing cycle of water usage. At June 30, 2025, unbilled water revenue amounted to \$5,679.

(e) Supplies and Materials Inventory

Supplies and materials inventory are valued using a moving average cost.

WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to the Basic Financial Statements

June 30, 2025

(In thousands)

(f) Capital Assets, Net

Capital assets, excluding right-to-use lease assets, were originally recorded in the accounts in 1958 and were based on an engineering study of the historical cost of properties constructed by employees of the Water Division. Accumulated depreciation, at the date the assets were recorded, was established after a review by a consulting firm.

Additions to capital assets subsequent to 1958 are recorded at historical cost. Provisions for depreciation of the capital assets are computed on a straight-line basis over the estimated useful lives of the assets and are charged to operating expenses. The estimated useful lives of depreciable assets are as follows:

	Years
Buildings and structures, and Reservoirs	44–55
Pumping equipment	28–44
Hydrants, transmission mains, and lines	50–100
Meters	33
Other equipment	5–25

(g) Intangible Assets, Net

Intangible assets consist of software development costs and a valve assessment project. These assets are amortized on the straight-line method over five years, ten years and fifteen years, respectively.

(h) Accounts and Wages Payable

Accounts and wages payable at June 30, 2025, comprises \$1,160 of accrued salaries and benefits and \$4,192 due to vendors and contractors.

(i) Other Accrued Liabilities

Other accrued liabilities at June 30, 2025, consists of sales tax of \$568, safe drinking levy of \$723, customer over collected accounts of \$889 and \$355 pending litigation (as described in note 9). Also included is the non-current liability portion of other liability due to the City of St. Louis, MO of \$122.

(j) Compensated Absences – Vacation, Sick, and Medical Leave

The City of St. Louis provides various compensated absence benefits to classified service employees, including vacation leave, sick leave, and medical leave. The accounting for these benefits is governed by GASB Statement No. 101, "Compensated Absences", which requires recognition of a liability for compensated absences that accumulate and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI
 (An Enterprise Fund of the City of St. Louis, Missouri)

Notes to the Basic Financial Statements

June 30, 2025

(In thousands)

Vacation Leave

Employees in permanent competitive positions working at least 50% of the time accrue vacation leave based on years of service and job classification. Accrual rates range from 3 to 8 hours bi-weekly pay period, with a maximum balance of 600 hours for most employees (pro-rated for part-time). Vacation leave is not advanced and must be accrued before use. Upon separation after 12 months of service, all accrued vacation is paid out. The liability for vacation leave is measured based on the amount accrued and the pay rates in effect at the reporting date. Vacation leave is fully recognized as a liability under GASB 101.

Sick Leave

Accrual of sick leave for employees ceased July 18, 2010. Sick leave is generally not paid out at separation except for specific ERS members who meet service and hour thresholds. Under GASB 101, only the portion of sick leave that is "more likely than not" to be paid out at separation/retirement, or used for time off, is recognized as a liability.

Medical Leave

Medical Leave is granted to eligible employees at a rate of 3 hours per bi-weekly pay period. Medical leave accumulates without a stated limit but is not paid out at separation or retirement. Only the portion "more likely than not" to be used for time off is recognized as a liability under GASB 101.

Changes in the balance of compensated absences for the year ending June 30, 2025, are as follows:

	Balances			Balances	
	June 30, 2024	As restated	Additions		
Salaried Employees:					
Current:					
Vacation Leave	\$ 1,929	683	(139)	2,473	
Medical Leave	356	515	(465)	406	
Sick Leave	1	47	-	48	
Non-current:					
Sick Leave	612	4	(136)	480	
Total	\$ 2,898	1,249	(740)	3,407	

WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to the Basic Financial Statements

June 30, 2025

(In thousands)

(k) Unearned Revenue

The Water Division recognizes revenue associated with a service line maintenance surcharge in the period the related costs are incurred. Accordingly, the Water Division recognized surcharge revenue of \$543 during the year ended June 30, 2025, which is reported within other operating revenues. Unearned service line maintenance revenue amounted to \$2,776 at June 30, 2025.

The Water Division maintains a restricted cash account for amounts collected for service line maintenance. Interest earned is recorded in this cash account and the account balance is restricted solely for service line maintenance.

The Water Division records unearned revenue for amounts billed but not yet earned. This is the result of the Water Division billing its flat rate customers in advance of actual water usage. Revenue billed but not yet earned amounted to \$2,183 at June 30, 2025.

(l) Customer Deposits

The Water Division requires that metered customers deposit an amount approximately equal to an estimated billing for one cycle. These deposits are refunded to the customer, along with accrued interest on the deposits, when certain criteria have been met. The Water Division also holds deposits for construction-related work that are applied against the billing for work performed.

(m) Net Position

Net position is displayed in three components as follows:

(i) Net Investment in Capital Assets

This consists of capital assets, net of accumulated depreciation and amortization, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition and construction of those assets.

(ii) Restricted

This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. Net position restricted by statutory restrictions represents tax and other revenue sources that are required by statute to be expended only for specific purpose or purposes.

(a) Customer Deposits – City ordinances provide that amounts paid by customers as deposits on metered water accounts and construction be held until such time as they are returned to customers in the form of cash or as a credit on the applicable customer's water bill. The balance of customer deposits as of June 30, 2025, is \$1,528.

(b) Service Line Maintenance – City ordinances provide that the Water Division collects a \$3 (in whole dollars) per quarter surcharge from flat rate and metered residential customers having six or less dwelling units. These funds are deposited in the Service Line

WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to the Basic Financial Statements

June 30, 2025

(In thousands)

Maintenance Account. This account, including interest earned, is used to pay for the repair of certain portions of the water lines for these customers. The balance of service line maintenance fund as of June 30, 2025, is \$2,241.

(iii) Unrestricted

This consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." Included within unrestricted assets are the following components, which have been approved by City ordinance:

(c) *Construction Funds* – City ordinances provide that amounts appropriated from the Water Contingent Account shall be held in the Construction Fund from which they shall be disbursed for the purposes contemplated in these ordinances. The balance of this fund as of June 30, 2025, is \$1,420, which funds are designated for capital projects and have been approved by City ordinances.

(n) Statement of Cash Flows

For purposes of the statement of cash flows, cash and cash equivalents are defined as all highly liquid investments with a maturity of 3 months or less when purchased.

(o) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Water Division to make estimates and assumptions that affect the reported amounts of assets and liabilities, and deferred inflows and outflows of resources, at fiscal year-end and revenues and expenses during the reporting period. Actual results could differ from those estimates.

(p) Leases (Lessee)

The Water Division is a lessee for a noncancelable long-term leases of equipment, for which the Water Division recognizes a lease liability.

The Water Division initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. The right to use lease asset is initially measured at the initial amount of the lease liability. Subsequently, the right to use lease asset is amortized into amortization expense on a straight-line basis over the shorter of the useful life of the underlying asset or term of the lease.

(q) Subscription-Based Information Technology Arrangements (SBITA)

The Water Division evaluated its existing subscription-based software arrangements and determined that they are all short-term, cancellable arrangements and had no effect on its net position as of June 30, 2025.

WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to the Basic Financial Statements

June 30, 2025

(In thousands)

(r) Adoption of New Accounting Pronouncement(s)

During fiscal year 2025, the Water Division implemented GASB Statement No. 101, Compensated Absences. This Statement requires that liabilities be recognized for various leave types that have not been used and for leave that has been used but not yet paid, provided the leave is attributable to services already rendered, accumulates, and is more likely than not to be used or paid. The adoption of the new accounting principle resulted in restatement of the beginning balance of the Net Position as follows:

Net position as of June 30, 2024, as previously reported	\$ (162,048)
Implementation of GASB 101	357
Net position as of July 1, 2024	<u><u>\$ (161,691)</u></u>

(2) Cash and Investments

The Water Division applies the provisions of GASB Statement No. 72, *Fair Value Measurements and Application* (GASB 72) of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. GASB Board 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets that the Water Division has the ability to access at the measurement date.
- Level 2 inputs are observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 inputs are significant unobservable inputs for the asset.

Where applicable, investments are recorded at fair value, which is determined by quoted market prices using other observable inputs at year-end as reported by the investment custodian. Other investments, which are short-term in nature, are recorded using a cost-based measure.

Purchases and sales of investments are recorded on a trade date basis.

The Water Division deposits all cash with the Office of the Treasurer of the City, which maintains all banking relationships for the Water Division.

WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to the Basic Financial Statements

June 30, 2025

(In thousands)

As of June 30, 2025, the Water Division had the following cash, cash equivalents, and investments:

Certificate of deposits	\$ 491
MOSIP liquid series	7,707
Insured cash sweep	<u>207</u>
Total investment, at cost	8,405
Cash and cash equivalents	<u>3,557</u>
Total cash, cash equivalents, and investments	\$ <u>11,962</u>

State statutes and City investment policies authorize the deposit of funds in financial institutions. For City funds, investments may be made in obligations of the U.S. government or any agency or instrumentality thereof, bonds of the State of Missouri or any city within the state with a population of 400,000 inhabitants or more, or time certificates of deposit. In addition, the City may enter into repurchase agreements maturing and becoming payable within 90 days secured by U.S. Treasury obligations, Bankers' Acceptances, and commercial paper maturing and becoming payable within 180 days, obligations of the U.S. government agencies, local government investment pools including MOSIP, or instrumentalities of any maturity as provided by law. The City's funds in the form of cash on deposit or time certificates of deposit are required to be insured or collateralized by authorized investments held in the City's name. Actual investment decisions are made by the Treasurer and the City's fiscal agents.

(a) Interest Rate Risk

The Water Division seeks to minimize its exposure to fair value losses arising from changes in interest rates by selecting investments in adherence to the Investment Policy for the City of St. Louis, Missouri (the Investment Policy). The Investment Policy provides that, to the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities or make a time deposit with a stated maturity of more than five years from the date of purchase. The average maturity for collateral provided to the City for deposits in connection with a repurchase agreement shall not exceed five years without the written approval of the Treasurer. In connection with any outstanding bond issue, debt service reserve funds may be invested to a maximum maturity of 15 years and up to 30 years with the written approval of the Treasurer.

The Water Division's investments (excluding cash deposits) all have maturities of less than 1 year on June 30, 2025.

(b) Credit Risk

The City's Investment Policy limits the types of securities available for investment to collateralized public deposits, obligations of the U.S. government or its agencies, local government investment

WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to the Basic Financial Statements

June 30, 2025

(In thousands)

pools including MOSIP, Bankers' Acceptances, and commercial paper. Bankers' Acceptances must be rated with the highest short-term credit rating of any two Nationally Recognized Statistical Rating Organizations (NRSROs) at the time of purchase. Investments in commercial paper are limited to issuing corporations that have a total commercial paper program size in excess of \$250,000 and have long-term debt ratings "AA" or better from at least one NRSRO. At June 30, 2025, the Water Division did not have any Bankers' Acceptances or commercial paper in its portfolio.

The Water Division's investment in MOSIP liquidity series were rated AA+, A-1+, and A-1 by Standard and Poor's. The certificates of deposit are collateralized at 102% and the insured cash sweep are FDIC insured and did not require ratings.

(c) Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Water Division will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party.

The City's Investment Policy requires that all cash deposits, time certificates of deposit, deposits with listed institutions, and repurchase agreements be covered by adequate pledged collateral. Acceptable collateral includes U.S. Treasury obligations, other interest-bearing securities guaranteed as to principal and interest by the U.S. government or an agency or instrumentality of the U.S. government, bonds of the State of Missouri, or bonds of the City. The market value of the principal and accrued interest of the collateral must equal 102% of the deposits secured, less any amount subject to federal deposit insurance. All City securities and securities pledged as collateral must be held in a segregated account on behalf of the City by an independent third party with whom the City has a current custodial agreement and has been designated by the Treasurer and Funds Committee as eligible to serve in such a capacity.

At June 30, 2025, all Water Division investments and all securities pledged as collateral are held by the counterparty's trust department or agent in the City's name.

WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to the Basic Financial Statements

June 30, 2025

(In thousands)

(d) Concentration of Credit Risk

The City's Investment Policy indicates that in order to reduce overall portfolio risks while maintaining market average rates of return, the minimum diversification standards by security type shall be as follows:

	Maximum percentage of portfolio	Maximum maturity
U.S. Treasury securities	100 %	5 years
U.S. government agency obligations	100	5 years
Obligations of the State of Missouri	25	5 years
Collateralized certificates of deposits	50	5 years
Collateralized repurchase agreements	25	90 days
Commercial paper	25	180 days
Banker's acceptance	25	180 days

The Water Division does not have a separate investment policy.

At June 30, 2025, the concentration of the Water Division's investments (excluding cash deposits) was as follows:

Certificate of deposits	6 %
MOSIP liquid series	92
Insured cash sweep	2
	<hr/>
	100 %
	<hr/>

WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to the Basic Financial Statements

June 30, 2025

(In thousands)

(3) Restricted Assets

Cash and investments restricted in accordance with bond provisions and City ordinances at June 30, 2025, is as follows:

Bond funds:		
Waterworks bond fund	\$	285
Water replacement and improvement account		<u>750</u>
Total bond funds		1,035
Customer deposits		1,528
Service line maintenance		<u>2,241</u>
Total restricted cash and investments	\$	<u>4,804</u>

Bond fund provisions require that revenues derived from the operation of the Waterworks System be deposited in the Waterworks Revenue Account. From this account, the following allocations are made on the first business day of each month in the following order of priority:

Series 2013 Water Revenue Refunding Bond Funds

- (1) To the unrestricted Waterworks Operations and Maintenance Fund, an amount sufficient to pay the estimated operation and maintenance expenses during the next month.
- (2) To the Waterworks Bond Fund, an amount at least equal to the calculated 1/6 amount of interest that will come due on the next interest payment date, plus an amount at least equal to 1/6 of the aggregate principal amount of bonds that will come due on the next bond maturity date. This account shall be used only for the payment of bond principal and interest, as the same shall become due.
- (3) To the Water Replacement and Improvement Fund, an amount equal to \$25 per month until the account balance aggregates \$750. This account shall be used for making replacements, extensions, and improvements to the Waterworks System, and for the purpose of meeting unforeseen contingencies and emergencies arising in the operation of the Waterworks System of the City.
- (4) The remaining balance in the Waterworks Revenue Fund is deposited into the unrestricted Water Contingent Fund. This money shall be used for paying the cost of the operation, maintenance, and repair of the Waterworks System; paying the cost of extending, improving, or making replacements to the Waterworks System; preventing default in, anticipating payments into, or increasing the amounts in the other accounts; paying any gross receipts tax now or hereafter levied by the City; paying the principal or the interest on any subordinate or junior lien bonds; paying any redemption premium due on the bonds; or any other lawful purpose for use by the Waterworks System.

WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI
 (An Enterprise Fund of the City of St. Louis, Missouri)

Notes to the Basic Financial Statements

June 30, 2025

(In thousands)

(4) Capital Assets, including Right-to-use lease Assets

The following table shows the changes in capital assets for the fiscal year ended June 30, 2025:

	Balances June 30, 2024	Additions	Retirements	Transfers	Balances June 30, 2025
Capital assets being depreciated:					
Building and structures	\$ 45,813	12	-	227	46,052
Reservoirs	35,400	-	-	201	35,601
Boiler plant equipment	1,454	-	-	-	1,454
Pumping equipment	21,143	-	-	4,643	25,786
Purification basins and equipment	49,426	26	-	818	50,270
Water mains, lines, and accessories	180,291	3,478	(143)	4,132	187,758
Equipment	20,360	206	(166)	74	20,474
Motor vehicle equipment	14,216	227	(310)	-	14,133
 Total capital assets being depreciated	 368,103	 3,949	 (619)	 10,095	 381,528
Less accumulated depreciation:					
Building and structures	(33,587)	(853)	-	-	(34,440)
Reservoirs	(19,269)	(750)	-	-	(20,019)
Boiler plant equipment	(740)	(35)	-	-	(775)
Pumping equipment	(12,351)	(618)	-	-	(12,969)
Purification basins and equipment	(27,773)	(1,180)	-	-	(28,953)
Water mains, lines, and accessories	(77,608)	(2,731)	131	-	(80,208)
Equipment	(19,547)	(173)	166	-	(19,554)
Motor vehicle equipment	(9,690)	(998)	289	-	(10,399)
 Total accumulated depreciation	 (200,565)	 (7,338)	 586	 -	 (207,317)
	 167,538	 (3,389)	 (33)	 10,095	 174,211
Capital assets not being depreciated:					
Land	1,238				1,238
Construction in progress	7,720	8,106	(491)	(10,095)	5,240
 Total capital assets not being depreciated	 8,958	 8,106	 (491)	 (10,095)	 6,478
	 \$ 176,496	 4,717	 (524)	 -	 180,689

Construction in progress consists primarily of various improvements to the Waterworks System.

WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI
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Notes to the Basic Financial Statements

June 30, 2025

(In thousands)

The following table shows the right-to-use lease assets for the fiscal year ended June 30, 2025:

	Balances June 30, 2024	Additions	Retirements	Transfers	Adjustments	Balances June 30, 2025
Right-to-use lease assets:						
Equipment	\$ 180	-	-	-	(21)	159
Total lease assets	180	-	-	-	(21)	159
Less accumulated amortization:						
Equipment	(21)	(32)	-	-	-	(53)
Total accumulated amortization	(21)	(32)	-	-	-	(53)
Total Right-to-use lease Assets, net	\$ 159	(32)	-	-	(21)	106

(5) Employees' Retirement System of the City of St. Louis

The Water Division participates in the Employees Retirement System of the City of St. Louis (Employees System), a cost-sharing, multiple-employer public defined benefit pension plan.

(a) Plan Description

All Water Division employees become members of the Employees System upon employment, with the exception of employees hired after attaining age 60.

The Employees System issues a publicly available financial report that includes financial statements and required supplementary information. The Employees System financial statements are prepared using the accrual basis of accounting. That report may be obtained by writing to the Employees Retirement System of the City of St. Louis; 1114 Market Street, Suite 900; St. Louis, Missouri 63101.

The Employees System provides for defined benefit payments for retirement, death, or disability to eligible employees or their beneficiaries based upon creditable service, final average compensation, and a benefit compensation base. Benefits vest to employees covered by the Employees System after the employee has attained five years of creditable service. Employees retire with full retirement benefits after the age of 65 or if the employee's age and creditable service combined equal or exceed 85 years. Employees may retire and receive a reduced benefit after age 60 with five years of creditable service; age 55 with at least 20 years of creditable service; or at any age with 30 years of creditable service. The monthly pension benefits of all retirees or their beneficiaries are adjusted according to the changes in the Consumer Price Index of the U.S. Department of Labor. Increases are limited each year, with total increases to retirees or their beneficiaries limited to 25%.

WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI
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(In thousands)

On June 8, 2000, the Mayor of the City approved an ordinance passed by the Board of Aldermen, authorizing a Deferred Retirement Option Plan (DROP), which became effective January 1, 2001. This plan states that when members reach retirement age, they are allowed to work for five additional years and defer receipt of their retirement allowance. The calculation of average salary for retirement benefits will not include the additional years of service after normal retirement age. The amount that would have been received as retirement benefit is put in a special DROP account monthly. The DROP account will not be adjusted for cost of living increases. The DROP account earns interest at the actuarial valuation rate of return or at the 10-year U.S. Treasury Bond yield as of September 30 for DROP participants enrolling February 1, 2003 and thereafter. After the members completely terminate employment, the member can withdraw amounts from the DROP account in a lump sum or according to a deferred retirement payment plan.

(b) Funding Policy

The Employees System's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits due. If contributions are necessary, level percentage of payroll employer contribution rates are determined using the projected unit credit actuarial cost method.

Employer contribution rates are established annually by the Board of Trustees of the Employees System based on an actuarial study. The Board of Trustees established the required employer contributions rate based on active member payroll of 17.51% effective July 2024 through June 2025. The previous contribution rate was 17.05% effective July 2023 through June 2024.

Employees who became members of the Employees System prior to October 14, 1977, and continued to make contributions, may make voluntary contributions to the Employees System equal to 3% of their compensation until the employee's compensation equals the maximum annual taxable earnings under the Federal Social Security Act. Thereafter, employees may contribute 6% of their compensation for the remainder of the calendar year.

The Water Division's contributions to the Employees System for the year ended June 30, 2025 were \$2,616.

(c) Net Pension Liability

The Water Division reported a liability of \$14,871 for its proportionate share of the net pension liability as of June 30, 2025. The net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2024. The Water Division's proportion of the net pension liability was based on the Water Division's share of contributions to the Employees System relative to the contributions of all Employees System participating employers. As of September 30, 2024, the Water Division's collective proportion was 5.12%, which was a decrease of 0.25% from its proportion as of September 30, 2023.

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Notes to the Basic Financial Statements

June 30, 2025

(In thousands)

The following were some of the significant actuarial assumptions used in the valuation of the Employees System:

Date of actuarial valuation	October 1, 2024
Actuarial cost method	Entry age normal
Inflation rate	2.50%
Long-term rate of return	7.25%
Projected salary increases	2.50% plus merit component based on employee's years of service
Mortality rates	Active: 135% of the Pub-2010 General Employee below-median income mortality table for males and 155% for females projected with generational mortality improvements from 2010 using Scale MP-2019
	Healthy: 125% of the Pub-2010 General Retiree below-median income mortality table for males and 120% females projected with generational mortality improvements from 2010 using Scale MP-2019
	Disabled: 120% of the Pub-2010 Non-Safety Disabled Retiree mortality table for males and 110% females projected with generational mortality improvements from 2010 using Scale MP-2019

The actuarial assumptions used in the October 1, 2024, actuarial valuation were based on the results of an actuarial experience study performed in 2020 which reviewed all the economic and demographic assumptions.

The long-term expected rate of return on the Employees System investments was determined using a building-block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major

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(In thousands)

asset class that is included in the pension plan's target asset allocation as of September 30, 2024, these best estimates are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Large cap	20.50 %	7.17 %
Mid cap	7.00	7.60
Small cap	6.00	8.17
International large cap	12.00	7.70
Emerging markets	3.00	8.00
Bank loans	3.00	7.80
Core Plus fixed income	11.00	5.20
Core fixed income	11.00	4.40
High Yield	3.00	7.50
Core real estate	7.50	6.20
Infrastructure	5.00	6.80
Private equity	5.00	10.60
Hedge funds	3.00	5.50
Defensive equity	3.00	6.40
 Total/average	 100.00 %	 7.07%

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. For the October 1, 2024, actuarial valuation, a 7.25% long-term rate of return was used. The sensitivity of the net pension liability to changes in the discount rate for the year ended June 30, 2025 for the Water Division is as follows:

	Discount rate	Net pension liability
1% decrease	6.25 %	\$ 20,848
Current rate	7.25	14,871
1% increase	8.25	9,785

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June 30, 2025

(In thousands)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued Employees System financial report.

(d) Pension Expense

For the year ended June 30, 2025, the Water Division recognized pension expense of \$2,727. Annual pension expense consists of service cost, interest, and administrative expenses on the pension liability less employee contributions and projected earnings on pension plan investments. The difference between actual and expected earnings is recorded as a deferred outflow/inflow of resources and recognized in pension expense over a five-year period.

(e) Deferred Outflows/Inflows of Resources Related to Pension

In accordance with GASB Statement No. 68, the Water Division recognizes differences between actual and expected experience with regards to economic or demographic factors, changes of assumptions about future economic or demographic factors, the difference between actual and expected investment returns, changes in proportion, and contributions subsequent to the measurement date as deferred outflows/inflows of resources. At June 30, 2025, the Water Division reported deferred outflow of resources and deferred inflow of resources related to pensions from the following sources as follows:

	Deferred outflow of resources	Deferred inflow of resources
Difference between expected and actual experience	\$ 339	-
Net difference between projected and actual earnings on pension plan investments	- (1,126)	(362)
Changes in proportion	-	-
Water Division contributions subsequent to the measurement date	1,956	-
Total	\$ 2,295	(1,488)

The \$1,956 reported as deferred outflows of resources related to pensions resulting from the Water Division's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026.

The Water Division recognizes differences between actual and expected investment performance included in deferred outflows/inflows of resources on a straight-line basis over five years. Differences between expected and actual experience and changes in actuarial assumptions are

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amortized over the average expected remaining service life of the Employee System's members. The following table summarizes the future recognition of these items:

	<u>Amount</u>
Year ended June 30:	
2026	\$ (194)
2027	916
2028	(1,016)
2029	<u>(855)</u>
	<u>\$ (1,149)</u>

(f) Pension Funding Project

During fiscal year 2008, the City of St. Louis Municipal Finance Corporation issued \$46,700 in Taxable Leasehold Revenue and Refunding Bonds Series 2007 (Pension Funding Project) to fund the Employees System. While the Water Division is not legally responsible for these bonds, \$3,269 of the proceeds was allocated to the Water Division. A \$2,121 liability is reflected as noncurrent liabilities – other liability to the City of St. Louis, Missouri on the balance sheet and is payable to the City of St. Louis by June 30, 2037. A \$122 liability is reflected in current liabilities – other accrued liabilities and is payable to the City of St. Louis by June 30, 2025.

(6) Change in Noncurrent Liabilities

The following table shows the changes in noncurrent liabilities for the fiscal year ended June 30, 2025:

	Balances			Balances	Due		
	June 30,						
	2024	As restated	Additions	Reductions	June 30,	within	
					2025	one year	
Water revenue bonds payable (note 7)	\$ 5,344			(486)	4,858	497	
Lease liabilities	157			(31)	126	32	
Net pension liability (note 5)	19,698			(4,827)	14,871		
Customer deposits	1,289	1,093		(854)	1,528		
Other Liability due to the City of St. Louis,							
Missouri (note 5)	2,236			(115)	2,121	122	
Accrued vacation, medical and sick leave liability	2,898	1,249		(740)	3,407	2,927	
Total	<u>\$ 31,622</u>	<u>2,342</u>		<u>(7,053)</u>	<u>26,911</u>	<u>3,578</u>	

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Notes to the Basic Financial Statements

June 30, 2025

(In thousands)

The following table shows the future annual lease payments:

Year ended June 30:	Principal	Interest	Total
2026	32	4	36
2027	33	3	36
2028	31	2	33
2029	30	—	30
	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>
	<hr style="border-top: 1px solid black; border-bottom: 3px double black; border-left: none; border-right: none;"/>	<hr style="border-top: 1px solid black; border-bottom: 3px double black; border-left: none; border-right: none;"/>	<hr style="border-top: 1px solid black; border-bottom: 3px double black; border-left: none; border-right: none;"/>
	\$ 126	\$ 9	\$ 135

(7) Water Revenue Refunding Bonds Payable

Water revenue bonds (direct placement debt) outstanding at June 30, 2025, are payable solely from and secured by, a pledge of net revenues from the operation of the Water Division and are as follows:

Series 2013 Water Revenue Refunding Bonds, 1.56%, drawdown loan, payable in varying amounts through January 1, 2034	\$ 4,858
Less current maturities	497
	<hr style="border-top: 1px solid black; border-bottom: 3px double black; border-left: none; border-right: none;"/>
	\$ 4,361

(a) Series 2013 Water Revenue Refunding Bonds

In November 2013, the Water Division issued \$9,500 (not to exceed) in Water Revenue Bonds (Series 2013 Bonds) through the Missouri Department of Natural Resources (DNR) Direct Loan Program. This bond issue is a drawdown loan with a fixed interest rate of 1.56% to fund various projects at the water treatment plants and throughout the distribution system. The final drawdown relating to the program was completed in fiscal year 2017. The debt agreement includes a default clause that if the Water Division defaults in the payment of principal or interest, the Water Division will be assessed penalties by DNR.

In June 26, 2023, the City of St. Louis passed Ordinance 71683 which authorized a three-tiered water rate increases as follows: (1) 20% across the board water rate increase effective July 1, 2023; (2) 20% across the board water rate increase effective January 1, 2024 and (3) on January 1 of each calendar year from January 1, 2026 and thereafter, (a) across the board water rate increase based on the annual change in CPI-U for the preceding calendar year as published by the US Bureau of Labor Statistics in the event that the CPI-U for the preceding calendar year is a positive number; and (b) in the event the CPI-U for the preceding calendar year is not a positive number, the rate shall continue without change for another calendar year.

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June 30, 2025

(In thousands)

As a result of these increases, flat rate and metered water revenue increased in fiscal year 2025 by \$7,634 or 12% compared to fiscal year 2024. At June 30, 2025, the Water Division's debt coverage ratio was calculated at 1,073% compared to 393% in fiscal year 2024.

Debt service requirements to maturity of the 2013 Series Water Revenue Bonds are as follows:

Year ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 497	74	571
2027	507	66	573
2028	517	58	575
2029	528	50	578
2030	539	42	581
2031-2034	<u>2,270</u>	<u>81</u>	<u>2,351</u>
	<u><u>\$ 4,858</u></u>	<u><u>371</u></u>	<u><u>5,229</u></u>

Principal and Interest payments are due semiannually on January 1 and July 1.

(8) Transactions with the City

During the fiscal year ended June 30, 2025 the City charged the Water Division \$4,355 for services rendered by various City departments. This amount is included in the Water Division's operating expenses as interfund services used. At June 30, 2025, \$1,908 was due to the City for services rendered. The Water Division also furnishes water to the fire department, parks department, and most other departments at no charge; while the related cost of all of the water cannot be determined since most of the water provided is not metered, those City buildings that are metered used \$854 worth of service for the year ended June 30, 2025. No reduction from the amount the Water Division owed to the City for services rendered was allowed for this water service provided by the Water Division to the City. At June 30, 2025, the Water Division owed \$1,604 to the City for activities relating to refuse.

In addition, throughout the year, the Collector of Revenue of the City of St. Louis, Missouri (the Collector) deducts a 4% gross receipts charge from collections made on behalf of the Water Division. At June 30, 2025, \$1,132 was due to the City. Each year, the Collector computes actual costs incurred relating to services that it provided to the Water Division and refunds any excess deduction. During the year ended June 30, 2025, the Water Division paid \$797 net of refunds to the Collector for services rendered.

The Water Division also pays a 6% tax on monthly gross receipts, which is applicable to all public utilities. During the year ended June 30, 2025, the Water Division recorded amounts transferred to the City of \$4,228. This amount is reflected as transfers to the City in the accompanying basic financial statements. No payment in lieu of property taxes is made. At June 30, 2025, \$3,628 was due to the City for gross receipts tax. At June 30, 2025, the Water Division recorded a Due from the City in the amount of \$550 related to timing differences of year-end activity.

WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to the Basic Financial Statements

June 30, 2025

(In thousands)

(9) Contingencies

The Water Division has identified certain of its structures as having asbestos in place. As part of its continuing process of upgrading facilities, the costs for removal of the asbestos material and restoration or replacement of the affected areas are being included in budgets for capital projects. No mandatory time requirement is in effect. The removal plan would be accelerated by changes in plans for remodeling, if any.

As of June 30, 2025, pending litigation of \$355, which the City Counselor's office has determined is probable that a loss contingency will be incurred, has been accrued within the basic financial statements. There is an aggregate of general liability claims outstanding of \$350, which the City Counselor's office has determined there is a reasonable possibility that a loss contingency may be incurred but no accrual has been made within the basic financial statements because the losses are not probable.

At June 30, 2025, the Water Division has \$728 in gain contingencies related to damages caused by others to Water Division properties that are not reflected within the basic financial statements because such transactions may not be recognized as revenue prior to realization.

(10) Risk Management

The Water Division is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Water Division participates in the Settlement Fund, an internal service fund of the City. The purpose of the Settlement Fund is to account for risks in which the City is self-insured, primarily workers' compensation, unemployment benefits, certain general liability, and various other claims and legal actions. All self-insured workers' compensation claims, liabilities and payments are recorded in the Settlement Fund. The Water Division reimburses the Settlement Fund for workers' compensation claims on a cost-reimbursement basis. At June 30, 2025, the Water Division owed the Settlement Fund \$6,046 for unreimbursed workers' compensation claims and is included in Due to City of St. Louis, Missouri on the balance sheet.

(11) Wholesale Water Contracts

The Water Division has entered into contracts for the sale of water to the following parties: the cities of St. Charles, Missouri and St. Peters, Missouri; the Missouri American Water Company (the Company); and the Public Water Supply District No. 2 of St. Charles County, Missouri. The parties have agreed to pay for water at a rate based on certain costs incurred at the Howard Bend Water Treatment Plant.

Additionally, the Water Division and the Company have amended their agreement whereby the Company has agreed to purchase a minimum quantity of water per month from the Water Division. The Water Division renewed this contract, which became effective in December 2015 and will expire in 2025.

WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI
 (An Enterprise Fund of the City of St. Louis, Missouri)

Notes to the Basic Financial Statements

June 30, 2025

(In thousands)

(12) Pledged Revenue

The Water Division has pledged specific revenue streams to secure the repayment of the Series 2013 Bonds. The following table lists those revenues along with the purpose of the debt, the term of the commitment, the approximate proportion of the pledged revenue to revenue collected of the revenue stream as estimated at June 30, 2025, the current fiscal year principal and interest on the debt and the amount of pledged revenue earned during the current fiscal year:

Type of revenue pledged	General purpose for debt	Term of pledged commitment	Proportion of pledged revenue to revenue collected	Principal and interest for the year ended June 30, 2025	Revenue recognized for the year ended June 30, 2025
All Water Division revenues	Funding of various water division infrastructure	Through 2034	1%	\$567	\$75,656

As of June 30, 2025, the remaining principal and interest requirement is \$5,229 payable through January 2034 (fiscal year 2034). The proportion of pledged revenue to revenue collected is estimated at 1% at June 30, 2025.

(13) Subsequent Events

(a) Moratorium on water shutoff lifted

In 2020 to help mitigate the spread of COVID-19, the city instituted a water shutoff moratorium that deferred payment for residents unable to pay their water bills. The moratorium on water shutoffs was lifted on September 1, 2025.

(b) Water rate increase

In June 2024, the City of St. Louis passed Ordinance 71683 which authorized a three-tiered water rate increase as follows: (1) 20% across the board water rate increase effective July 1, 2023; (2) 20% across the board water rate increase effective January 1, 2024 and (3) on January 1 of each calendar year from January 1, 2026 and thereafter, (a) across the board water rate increased based on the annual change in CPI-U for the preceding calendar year as published by the US Bureau of Labor Statistics in the event that the CPI-U for the preceding year is a positive number, and (b) in the event the CPI-U for the preceding calendar year is not a positive number, the rate shall continue without change for another calendar year.

On January 1, 2026, a 3% across the board water rate increase based on CPI-U will take effect.

OTHER INFORMATION – UNAUDITED

WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI

(An Enterprise Fund of the City of St. Louis, Missouri)

Detailed Schedule of Certain Operating Expenses – Unaudited

Year ended June 30, 2025

(In thousands)

Supply and purification:

Salaries and wages	\$ 5,461
Support services	3,450
Other services	2,200
Materials and supplies	567
Depreciation	34
Chemicals	<u>13,773</u>
	25,485

Less amounts capitalized or allocated to other accounts

Total supply and purification \$ 25,485

Transmission and distribution:

Salaries and wages	\$ 8,971
Support services	814
Other services	8,123
Materials and supplies	4,089
Depreciation	<u>819</u>
	22,816

Less amounts capitalized or allocated to other accounts

Total transmission and distribution \$ 18,140

Power and pumping:

Salaries and wages	\$ 2,596
Support services	1,455
Other services	1,450
Right-to-use lease, net	24
Materials and supplies	168
Depreciation	11
Purchased power	<u>3,844</u>
	9,548

Less amounts capitalized or allocated to other accounts

Total power and pumping \$ 9,548

Schedule 1**WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI**

(An Enterprise Fund of the City of St. Louis, Missouri)

Detailed Schedule of Certain Operating Expenses – Unaudited

Year ended June 30, 2025

(In thousands)

Administrative and general:

Salaries and wages	\$ 2,385
Support services	181
Other services	742
Materials and supplies	224
Bad debt expense	<u>3,930</u>
	7,462

Less amounts allocated to other accounts	<u>(3)</u>
Total administrative and general	<u>\$ 7,459</u>

Customer accounting:

Salaries and wages	\$ 1,539
Support services	329
Other services	81
Materials and supplies	88
Depreciation	<u>23</u>
	2,060

Less amounts capitalized or allocated to other accounts	<u>—</u>
Total customer accounting	<u>\$ 2,060</u>

See accompanying independent auditors' report.

Schedule 2**WATER DIVISION OF THE CITY OF ST. LOUIS, MISSOURI**

(An Enterprise Fund of the City of St. Louis, Missouri)

Schedule of Costs for Howard Bend Water Sales – Unaudited

Year ended June 30, 2025

(In thousands)

I. Direct Costs of Supply and Purification – Howard Bend	
Labor	\$ 2,396
Chemicals	4,373
Support services	1,174
Other materials and services	1,269
	<hr/>
	\$ 9,212
II. Direct Costs of Power and Pumping – Howard Bend	
Power	\$ 1,527
Labor	1,113
Support services	339
Other materials and services	577
	<hr/>
	\$ 3,556
III. General Office Expenses – Power and Pumping	\$ 991
IV. General Office Expenses – Supply and Purification	\$ 1,504
V. Reservoir Maintenance	\$ 28
VI. Administration and Finance Costs	
City services	\$ 1,710
Labor	2,385
Other services and miscellaneous	967
Support services	181
	<hr/>
	\$ 5,243
VII. Specified Labor Costs	
Transmission and distribution	\$ 8,971
Supply and purification	5,461
Power and pumping	2,596
Customer accounting	1,539
	<hr/>
	\$ 18,567

Note: The Water Division of the City of St. Louis, Missouri, has entered into contracts for the sale of water to the following parties: the cities of St. Charles, Missouri, and St. Peters, Missouri, the Missouri American Water Company and the Public Water Supply District No. 2 of St. Charles County, Missouri. Under the terms of these agreements, the parties have agreed to pay for water at a rate based on certain costs incurred by the Water Division as its Howard Bend Water Treatment Plant. This information is presented in accordance with the requirements of the contracts and is included for use by the parties in determining water rates charged.

See accompanying independent auditors' report.



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