Annual Comprehensive Financial Report (ACFR) For the Year Ended February 28, 2026

The Importance of the ACFR

EPWater’s ACFR provides the Board and the public with a clear, GAAP-based view of financial condition, operating results, capital investment, and long-term financing. The ACFR is also the official audited financial report relied upon by bondholders, rating agencies, granting agencies, and other stakeholders.

1 Transparency

Presents audited financial statements, notes, and management analysis in a format designed to be understood by financial and nonfinancial readers.

2 Accountability

Demonstrates compliance with accounting standards, bond requirements, internal controls, and responsible stewardship of public resources.

3 Decision support

Explains the financial effects of operations, customer growth, major capital projects, debt, and currently known conditions affecting future periods.

Strategic objective: Customer satisfaction — building trust through clear and timely financial reporting.

Reporting and Audit Achievements

Certificate of Achievement FOR EXCELLENCE IN Financial Reporting

30 **consecutive years**

GFOA Certificate of Achievement for Excellence in Financial Reporting

Government Finance Officers Association

Independent audit

FY2026 audit completed with Unmodified ("Clean") Audit Opinion, no findings reported in the presentation draft.

GASB Statement No. 103

Implemented for FY2026, with updated operating, noncapital subsidy, and other nonoperating presentation.

Financial system integrity

Supported through auditing, accounting, internal controls, reconciliations, and clear financial reporting.

Enterprise-wide effort

Finance and Accounting coordinated with Purchasing, Legal, Customer Service, Land Administration, IT, and operating departments.

Annual external audit — A Major Team Effort

1

Close & reconcile

Complete account reconciliations, accruals, capital activity, debt, leases, pensions, and year-end schedules.

2

Prepare ACFR

Draft financial statements, notes, MD&A, required supplementary information, and supporting schedules.

3

Audit & controls review

Respond to audit requests, support testing, resolve comments, and complete internal-control review.

4

Finalize & present

Complete final tie-out, publish the ACFR, and present the report for Board acceptance.

Led by Finance and Accounting, with support from Purchasing and Contracts, Legal, Customer Service, Land Administration, IT, and operating departments.

Special thanks to Jeff Tepsick, Ana Sanchez, and the full cross-functional team.

FY2026 Financial Snapshot-Enterprise

FY2026 compared with FY2025 unless otherwise noted

$1.863B
ENDING NET POSITION
+$141.2M | +8.2%

$3.613B
NET CAPITAL ASSETS
+$486.6M | +15.6%

$476.8M
OPERATING REVENUES
+$30.2M | +6.8%

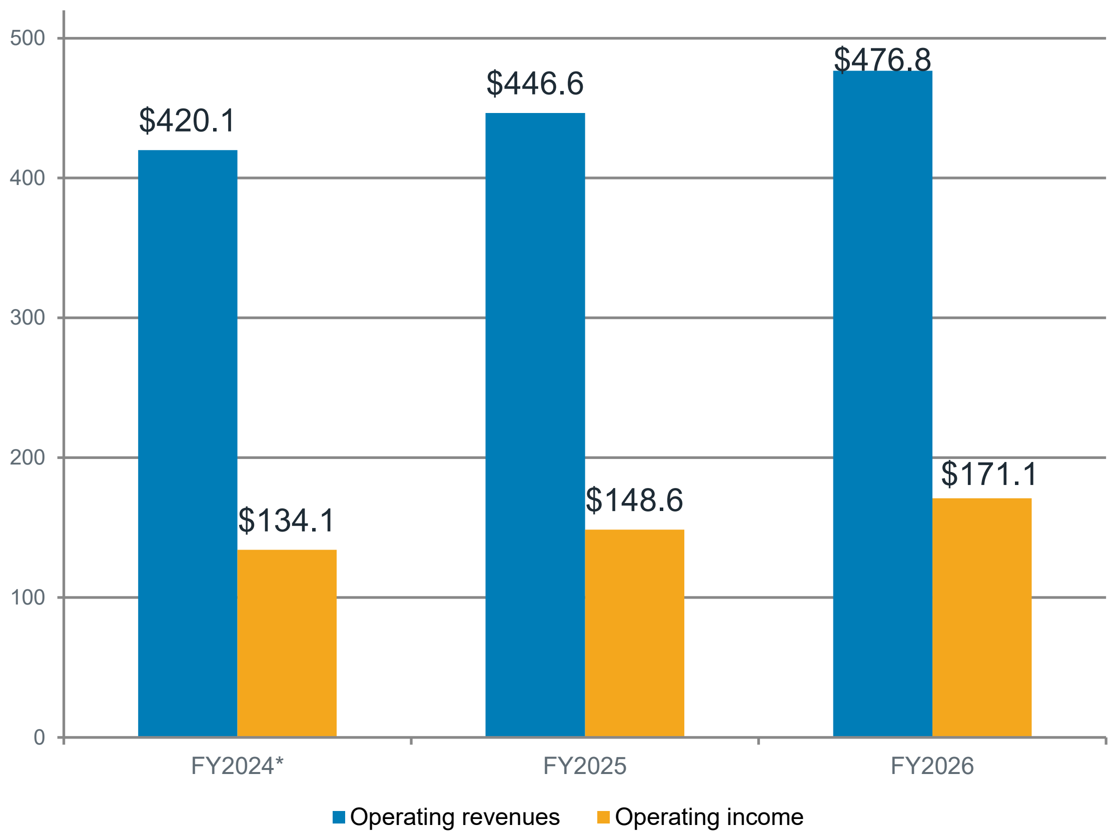
$141.2M
CHANGE IN NET POSITION
16.8% higher than FY2025

$171.1M
OPERATING INCOME
+$22.6M | +15.2%

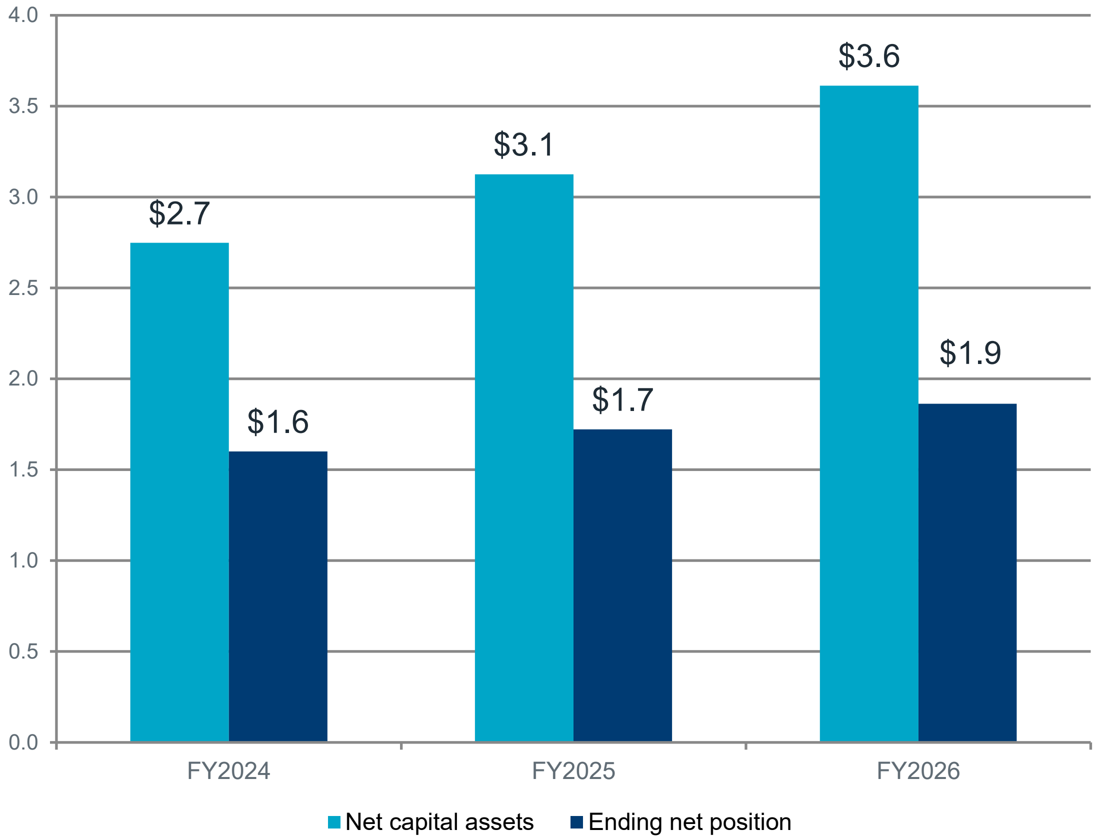
The Key Drivers of FY2026 Results this year were continued investment in infrastructure and higher operating income.

Three-Year Financial Trends-Enterprise

Operating results



Financial position



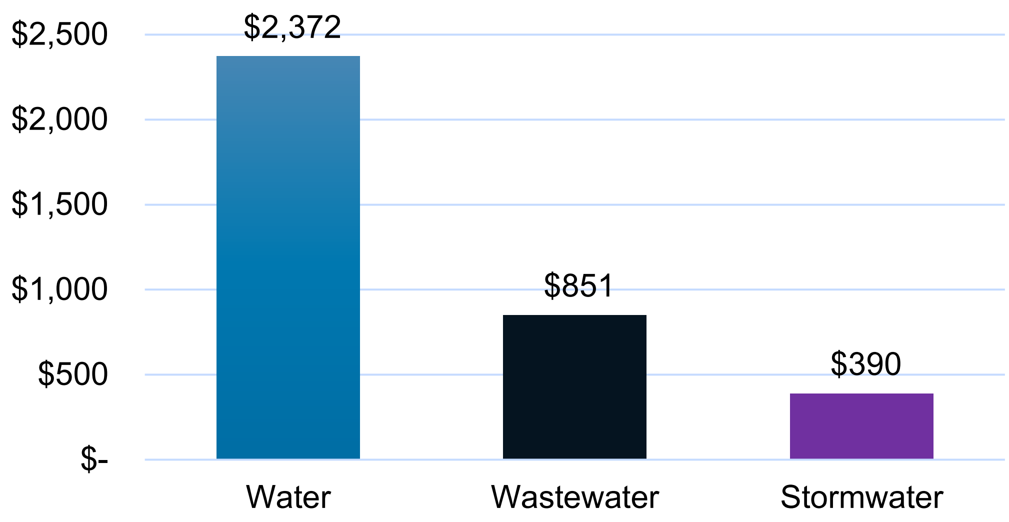
Two-year growth: net capital assets +$865.1 million | total net position +$262.1 million

** FY2024 operating subtotals reflect the pre-GASB 103 presentation and are not fully comparable with FY2025–FY2026.*

Amounts in millions unless otherwise noted

Capital investment and long-term financing

FY2026 Capital Assets by System ($M)



Selected major activity

Bustamante WWTP improvements; advanced meter replacement; energy-performance upgrades; Pure Water Center; Will Ruth Pond and J.T. Hickerson drainage work.

Financing activity

$296.805 million Water and Sewer refunding bonds; $31.790 million Municipal Drainage refunding bonds; $2.197 billion of significant outstanding debt and premiums.

Water and Wastewater Utility

Water and Wastewater Utility FY2026 Budget Performance

Budgetary-basis results; amounts in thousands except debt service coverage

Description	Budget FY 25–26	Actual FY 25–26	Variance	% of Budget
Total Water Revenues	$241,804	$224,956	($16,848)	93%
Total Wastewater Revenues	$166,872	$170,023	$3,151	102%
Miscellaneous Revenues	$16,250	$24,258*	$8,008	149%
Total Operating Revenues	**$424,925**	**$419,237**	**$5,689**	**99%**
Operating Expenses	$194,621	$186,354	$8,267	96%
Capital Expenditures	$592,014	$564,659	$27,355	95%
Debt Service Coverage	**2.00x**	**2.12x**		

* Includes approximately $6.1 million from the PFAS settlement. Variance = actual minus budget. Details may not add up due to rounding.

OPERATING REVENUES	OPERATING EXPENSES	CAPITAL SPENDING	DEBT COVERAGE
+$5.7M	**$8.3M**	**95%**	**2.12x**
above budget	under budget	of budget	vs. 2.00x budget

Water and Wastewater Utility Key Financial Indicators

All indicators remained within required or acceptable ranges

Current ratio

2.35x

FY2025: 2.96x

EPWater has **$2.35 of current assets for every $1 of current liabilities.**
The ratio declined because cash was used to fund construction projects, but liquidity remains strong.

Operating ratio

0.45

FY2025: 0.48

EPWater used **45 cents of operating expense to generate each $1 of operating revenue**, excluding depreciation.
The lower ratio reflects improved operating efficiency.

Debt service coverage

2.12x

FY2025: 2.08x

Minimum: 1.50x

EPWater generated **more than twice the revenue needed to pay annual debt service.**
This exceeds the bond requirement of 1.50x.
This is one of the most important financial indicators for bondholders.

Debt ratio

0.46

FY2025: 0.45

Approximately 46% of total assets are financed with long-term debt.
The increase reflects financing of the capital improvement program.

Takeaway: Liquidity decreased as planned capital spending accelerated, while operating efficiency and debt coverage improved.

Municipal Drainage Utility

Municipal Drainage Utility
FY2026 Budget Performance

Budgetary-basis results; amounts in thousands except debt service coverage

Description	Budget FY 25–26	Actual FY 25–26	Variance	% of Budget
Stormwater Revenues	$44,530	$44,416	($114)	100%
Miscellaneous Revenues	$1,262	$1,247	($15)	99%
Total Operating Revenues	**$45,792**	**$45,663**	($129)	**100%**
Operating Expenses	$11,988	$11,223	**$765**	94%
Capital Expenditures	$66,048	$37,580	**$28,468**	57%
Debt Service Coverage	**1.85x**	**2.13x**		

OPERATING REVENUES	OPERATING EXPENSES	CAPITAL SPENDING	DEBT COVERAGE
-$0.1M	**$0.8M**	**57%**	**2.13x**
below budget	under budget	of budget	vs. 1.85x budget

Municipal Drainage Utility key financial indicators

Current ratio

2.83x

FY2025: 3.17x

The utility has **$2.83 of current assets for every $1 of current liabilities.**
Liquidity remains strong despite increased current obligations.

Operating ratio

0.26

FY2025: 0.31

The utility used **26 cents of operating expense to generate each dollar of operating revenue**, excluding depreciation.
The lower ratio reflects improved operating efficiency.

Debt service coverage

2.13x

FY2025: 2.01x

Minimum: 1.25x

Operating revenues generated **more than twice the amount needed to pay annual debt service.**
This comfortably exceeds the 1.25x bond requirement.

Debt ratio

0.46

FY2025: 0.47

About **46% of total assets are financed with long-term debt**.
The ratio continued to decline as assets grew faster than debt.

Board Prospective: Revenue growth strengthened operating performance and increased debt service coverage.