

Rural Water District No. 13, Jefferson County, Kansas

**Financial Statements
As of December 31, 2021 and 2020
and For the Years Then Ended**

With Report by Independent Auditors



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To the Board of Directors of
Rural Water District No. 13,
Jefferson County, Kansas
Lawrence, Kansas

March 21, 2022

Independent Auditor's Report

Opinion

We have audited the accompanying financial statements of the business-type activities of Rural Water District No. 13, Jefferson County (the District), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of December 31, 2021, and the changes in its financial position and its cash flows 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. Our responsibilities under those standards are further described below in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are required to be independent of the District 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.

Prior Year Audited by Another Auditor

Another auditor was engaged to audit the financial statements of the District for the year ended December 31, 2020. That auditor issued their report on February 10, 2021 in which they issued an unmodified opinion.

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 generally accepted 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, including omissions, 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 generally accepted 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 District'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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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.

Required Supplemental Information

Accounting principles generally accepted in the United States of American require that the management's discussion and analysis and the required supplemental information as listed in the table of contents be presented to supplement the basis financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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 basic financial statements and other knowledge we obtained during our audit of the basic 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.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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 basic financial statements and other knowledge we obtained during our audit of the basic 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.

Kiantz & Penick, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Rural Water District No. 13, Jefferson County Kansas' annual financial report presents analysis of the District's financial performance during the fiscal year ended on December 31, 2021. The **Management's Discussion and Analysis** is designed to assist the reader in focusing on the significant financial issues and activities of the District and to identify any significant changes in financial position. This information should be read and considered with the financial statements taken as a whole.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this **Management Discussion and Analysis**, the **Financial Statements**, the **Notes to the Financial Statements** and **Supplemental Information**.

Required Financial Statements

The financial statements of the District provide information using accounting methods like those used by private sector companies. These statements offer current and long-term financial information about the activities of the District. The financial statements include the current and previous year's statements for comparison purposes year-to-year.

The **Statements of Net Position** include all the District's assets and liabilities and provide information about the nature and amounts of assets and obligations to the District's creditors (liabilities). This statement also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The **Statements of Revenues, Expenses and Changes in Net Position** show all the revenues and expenses for the District for the years shown. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully managed the costs through user fees and other charges, profitability, and credit worthiness.

The **Statements of Cash Flow** indicates cash receipts, cash payments, and net changes in cash. These changes result from operations, investing, and financing activities. This is simply stated as money in, money out, and money in the bank.

Notes to Financial Statements

The **Notes to Financial Statements** provide additional information that is essential to fully understand the data provided.

Supplemental Information

The **Kansas Public Employees Retirement System (KPERs) Schedules of District's Proportionate Share of the KPERs Net Pension Liability and District Contributions to KPERs, Schedule of Insurance in Force, and Schedule of Statistical Information** are presented at the end of with the **Notes to Financial Statements**. The District adopted the financial reporting standards of GASB No. 68 during 2021 and as such, the KPERs schedules are required to provide benchmarking and trend monitoring information.

FINANCIAL HIGHLIGHTS AND ANALYSIS

Statements of Net Position

The **Statements of Net Position** shows the balanced financial position of assets/deferred inflows of resources and liabilities/deferred outflows of resources for the District.

Total Current Assets decreased by \$54,805 (-5.7%). Although the majority of these funds are maintained by the District, they are not available as Cash but are required to be available in the event the District cannot meet their financial obligation to the Bond payments. **Cash and cash equivalents** showed a slight decrease of \$52,107 (-6.4%) as the Board elected to invest in some capital work, as the age of the equipment depreciates out. Therefore, the **Total Assets and Deferred Outflows of Resources** of the District decreased by \$42,123 (-0.8%). This is not a significant change over previous years.

The **Total Liabilities** decreased (\$129,084 or -12.7%) from 2020. **Long-term debt** decreased (\$107,760 or -14.4%) due to regular debt payments against the only long-term debt the District has in force. The remaining balance of this KRWFA loan is \$765,000.

The **Total net position** of the District increase in 2021 (\$57,424 or 1.4%). The **Total net position** is divided into three areas (**Net investment in capital assets, Restricted for debt service, and Unrestricted**).

- A large portion of the District's **Total net position** consists of the District's **Net investment in capital assets** portion (\$3,288,338 or 78.5% of the **Total net position**) which includes physical assets (distribution system, plant equipment and vehicles) less related debt and accumulated depreciation. The District uses these assets to provide service and consequently these assets are not available for liquidation or for other spending. The net investment in capital assets increased (\$120,585 or 3.8%) due to changes in asset purchases, depreciation expenses and payment of debts.
- The **Restricted** portion (\$142,888) is the amount of money required to be set aside to make payment on our long-term debt in case of default. This amount is slightly larger than the absolute minimum set aside required by KRWFA (which is \$129,900) as the District chooses to let the interest in this account accumulate. The \$129,900 portion of this money is not available for use by the District.
- The **Unrestricted** amount (\$759,851) represents the amount available to be used to meet the District's ongoing obligations to creditors and operations of the District. The **Unrestricted** amount decreased (\$63,873 or -7.8%) from 2020 to 2021. The District has sufficient funds to meet requirements for cash outlays in the next fiscal year as well as the financial capacity to sustain operations.

At the end of the 2021 fiscal year the District has positive balances in all categories of **Total net position**.

Statements of Revenues, Expenses and Changes in Net Position

The **Statements of Revenues, Expenses and Changes in Net Position** provides insight to the nature and source of the changes from the **Statements of Net Position**.

Total operating revenues increased in 2021 from 2020 (\$41,999 or 4.7%) primarily due to increase in water sales.

Total Operating Expenses for the year increased by \$58,343 (6.5%) from 2020 to 2021. This was due primarily to an increase in **Repairs & maintenance** and **Payroll** of the District.

Overall the change in **Net Position, Ending** for the for the District is a gain of \$57,424 for 2021. The District's financial position is similar to the position in 2020.

Statements of Cash Flows

The **Statements of Cash Flows** describes the sources of District's cash and how that cash was spent over the year. Non-cash items such as depreciation are not included in this statement. This makes the statement useful for determining the short-term viability of the District, particularly the District's ability to pay bills. As such, the **Statements of Cash Flows** shows how the District has performed in managing inflows and outflows of cash.

The **Net Cash Provided By Operating Activities** increased from 2020 to 2021 (\$6,945 or +2.0%). An increase in **Cash received from customers** offset the increases in **Cash paid to suppliers** and **Cash paid to employees**. There is a section (**Reconciliation of Operating Net Income (Loss) to Net Cash**) at the bottom of the **Statements of Cash Flows** that breaks down the areas of change. The significant items of note are the overall decrease of **pension liability** of (\$70,687) and the increase in **accounts payable** of (\$38,127).

Net Cash Used in Capital and Related Financing Activities increased significantly in 2021 compared to 2019 due primarily to an increase in capital efforts by the District (\$367,643 or 1,003%)

The end of year net change of **Cash and Cash Equivalents, End of Period** decreased (\$52,107 or -6.9%) for 2021 as compared to 2020.

Debt Ratio

The State of Kansas requires the District to maintain our debt service coverage ratio coverage at 1.25 (minimum). The District's ratio for 2021 is 2.72. Although the debt service coverage ratio is not a part of the Financial Statement, the District uses this as another indicator on how capable the District is to pay their debts. The higher the debt service ratio the better the District's ability to cover debts.

Contact Information

Any questions regarding the report or request for additional information should be directed to:

Rural Water District No. 13, Jefferson County, Kansas
District Board of Directors
Attention: Gordon A. Brest, Board Chairman
1951 Wellman Road
Lawrence, Kansas 66044

	<u>2021</u>	<u>2020</u>
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	\$ 758,416	\$ 810,523
Accounts receivable, net	64,449	62,463
Inventory	82,790	87,474
Total Current Assets	<u>905,655</u>	<u>960,460</u>
Noncurrent Assets		
Capital assets, net	4,035,418	4,017,593
Restricted cash for debt service	142,888	142,176
Total Noncurrent Assets	<u>4,178,306</u>	<u>4,159,769</u>
Deferred Outflows of Resources		
KPERS pension plan	39,039	44,894
Total Assets and Deferred Outflows of Resources	<u>\$ 5,123,000</u>	<u>\$ 5,165,123</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	\$ 31,874	\$ 15,192
Accrued liabilities	4,587	4,173
Accrued interest	9,443	10,010
Current portion long-term debt	105,000	100,000
Total Current Liabilities	<u>150,904</u>	<u>129,375</u>
Noncurrent Liabilities		
KPERS net pension liability	98,336	141,189
Long-term debt – net of current portion and discount	642,080	749,840
Total Noncurrent Liabilities	<u>740,416</u>	<u>891,029</u>
Total Liabilities	<u>891,320</u>	<u>1,020,404</u>
Deferred Inflows of Resources		
KPERS pension plan	40,603	11,066
Net Position		
Net investment in capital assets	3,288,338	3,167,753
Restricted for debt service	142,888	142,176
Unrestricted	759,851	823,724
Total Net Position	<u>4,191,077</u>	<u>4,133,653</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 5,123,000</u>	<u>\$ 5,165,123</u>

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Water sales	\$ 919,454	\$ 877,485
Late fees	8,617	8,587
Total Operating Revenues	<u>928,071</u>	<u>886,072</u>
Operating Expenses		
Payroll	199,672	165,837
Employee benefits	9,296	19,773
Operating equipment & supplies	31,681	32,332
Chemicals & supplies	30,283	39,913
Contract labor	22,774	21,314
Depreciation & amortization	360,178	368,838
Dues & fees	5,165	4,897
Insurance	23,207	21,811
Professional fees	10,494	17,366
Office	16,526	18,136
Safety	1,717	1,489
Repairs & maintenance	159,231	111,806
Utilities	69,036	64,867
Security	2,605	1,297
Water relief	7,117	1,713
Miscellaneous	969	219
Total Operating Expenses	<u>949,951</u>	<u>891,608</u>
Operating Loss	<u>(21,880)</u>	<u>(5,536)</u>
Nonoperating Revenue (Expense)		
Interest income	2,807	6,507
Other income	9,962	14,648
Interest expense	(23,896)	(25,275)
Total Nonoperating Expense	<u>(11,127)</u>	<u>(4,120)</u>
Net Loss Before Contributions	(33,007)	(9,656)
Capital Contributions		
Benefit unit sales	65,000	120,500
Aid in construction	25,431	33,316
Total Capital Contributions	<u>90,431</u>	<u>153,816</u>
Change in Net Position	57,424	144,160
Net Position, Beginning	<u>4,133,653</u>	<u>3,989,493</u>
Net Position, Ending	<u>\$ 4,191,077</u>	<u>\$ 4,133,653</u>

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Cash received from customers	\$ 925,373	\$ 881,585
Cash paid to suppliers	(360,006)	(336,507)
Cash paid to employees	(216,015)	(202,671)
Net Cash Provided by Operating Activities	<u>349,352</u>	<u>342,407</u>
Cash Flows from Investing Activities		
Interest income	<u>2,807</u>	<u>6,507</u>
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(375,763)	(79,812)
Capital contributions	90,431	153,816
Principle paid on long-term debt	(105,000)	(100,000)
Interest paid on long-term debt	(23,896)	(25,275)
Other capital activity	9,962	14648
Net Cash Used in Capital and Related Financing Activities	<u>(404,266)</u>	<u>(36,623)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(52,107)	312,291
Cash and Cash Equivalents – Beginning of the Year	<u>810,523</u>	<u>498,232</u>
Cash and Cash Equivalents – End of the Year	<u>\$ 758,416</u>	<u>\$ 810,523</u>
Reconciliation of Operating Net Income (Loss) to Net Cash Provided by Operating Activities		
Operating income loss	\$ (21,880)	\$ (5,536)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation & amortization	360,178	382,207
Decrease (increase) in accounts receivable	(1,986)	(2,063)
Decrease (increase) in inventory	4,684	(13,379)
Decrease (increase) in bond reserve	(712)	(2,424)
Decrease (increase) in deferred outflow of resources	5,855	(16,365)
Increase (decrease) in accounts payable	16,682	(21,445)
Increase (decrease) in accrued interest	(567)	(1,250)
Increase (decrease) in accrued liabilities	414	555
Increase (decrease) in net pension liability	(42,853)	27,834
Increase (decrease) in deferred inflows of resources	29,537	(5,727)
Net Cash Provided by Operating Activities	<u>\$ 349,352</u>	<u>\$ 342,407</u>

Note 1: Summary of Significant Accounting Policies

Organization

Rural Water District No. 13, Jefferson County, Kansas (the District), was incorporated in 1974 as a quasi-municipal corporation under Kansas Statute K.S.A. 82a-612 et seq. to acquire water and water rights and to build and acquire pipelines for the purpose of furnishing water to owners and occupants of land located in portions of Jefferson, Leavenworth and Douglas counties. The District is governed by a seven member board of directors.

The Financial Reporting Entity

The financial reporting entity of the District is comprised of the primary government, the District.

The accompanying financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, and functions that comprise the District. Component units are legally separate entities for which the District (the primary government) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the organization's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the organization. Using these criteria, the District has no component units.

Basis of Presentation and Accounting

The District's basic financial statements are presented on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements, including GASB Statement 34, as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

The accounts of the District are organized based on a proprietary fund type, specifically an enterprise fund. The activities of the fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net position, revenues, and expenses. Enterprise funds account for activities: (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statements of net position. Net position (i.e., total assets net of total liabilities) are segregated into net investment in capital assets; restricted for debt services; and unrestricted components.

Cash and Cash Equivalents

The District considers all bank deposit accounts, money market accounts and certificates of deposit classified as current assets to be cash and cash equivalents. Certificates of deposit with maturities of longer than three months can still be used by the District to meet current liabilities if they wish to pay any applicable penalties.

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable are customer water bills that have been invoiced but remain unpaid. All receivables are considered due upon receipt. Receivables are reported net of an allowance for uncollectible accounts. The District provides an allowance for doubtful accounts based upon review of outstanding receivables, historical collection information and existing economic conditions. The allowance for uncollectible accounts netted with accounts receivable was \$4,285 for the years ended December 31, 2021 and 2020.

Capital Assets

Capital assets purchased for \$5,000 or more are capitalized at cost. Depreciation is recorded based on the estimated useful life of each asset using the straight-line method. The estimated useful lives of the assets range from 5 to 40 years. Capital assets purchased or built are capitalized at cost. Depreciation is recorded based on the estimated useful life of each asset using the straight-line method over the following estimated useful lives: water distribution system – 10 to 42 years; furniture, fixtures and equipment – 3 to 10 years; building and building improvements – 5 to 20 years; and vehicles – 5 years.

Net Position

Net position is comprised the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Income Taxes

The District is a quasi-municipality and, as such, it is not subject to income taxes.

Budgetary Information

Kansas statutes do not require the District to adopt a budget.

Operating Revenues

The District sells water to members at rates established by the board of directors.

Benefit Units

Members of the District are required to pay a fee for each benefit unit prior to connecting to the District's lines. The price of the benefit unit varies by the size of the meter. New benefit units added during the years ending December 31, 2021 and 2020 totaled \$65,000 and \$120,500, respectively.

Inventory

Inventory is valued at the lower of cost or market and consists of pipe, valves, meters and other items needed to repair or add water lines.

Note 1: Summary of Significant Accounting Policies (Continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying 2020 financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net position.

Subsequent Events

Management has evaluated subsequent events through March 21, 2022 which is the date the financial statements were available to be issued.

Note 2: Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's fund have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. Government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

Kansas statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to the District. Kansas statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%.

December 31, 2021

On December 31, 2021, the District's carrying amount of deposits was \$901,304 and the bank balance was \$916,122. This difference is outstanding checks and deposits in transit. Of the bank balance, \$250,000 was covered by federal depository insurance and \$662,122 was collateralized by the fair value of securities held by the pledging financial institution's agents in the District's name. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: The District, the pledging bank, and the independent third-party bank holding the pledged securities.

Note 2: Deposits and Investments (Continued)

December 31, 2020

On December 31, 2020, the District's carrying amount of deposits was \$952,699 and the bank balance was \$970,955. This difference is outstanding checks and deposits in transit. Of the bank balance, \$250,000 was covered by federal depository insurance and \$720,955 was collateralized by the fair value of securities held by the pledging financial institution's agents in the District's name. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: The District, the pledging bank, and the independent third-party bank holding the pledged securities.

Note 3: Capital Assets

Capital asset activity for the year ended December 31, 2021 was as follows:

	Balance on December 31, 2020	Additions	Retirements	Balance on December 31, 2021
Nondepreciable Capital Assets				
Land and easements	\$ 22,000	\$ -	\$ -	\$ 22,000
Construction in progress	-	84,686	-	84,686
Total Nondepreciable Capital Assets	<u>22,000</u>	<u>84,686</u>	<u>-</u>	<u>106,686</u>
Depreciable Capital Assets				
Office buildings	32,039	-	-	32,039
Furniture, fixtures and equipment	93,814	-	-	93,814
Water distribution system	9,619,505	291,077	-	9,910,582
Vehicles	44,176	-	-	44,176
Total Depreciable Capital Assets	<u>9,789,534</u>	<u>291,077</u>	<u>-</u>	<u>10,080,611</u>
Cost Basis of Capital Assets	<u>9,811,534</u>	<u>375,763</u>	<u>-</u>	<u>10,187,297</u>
Less: Accumulated Depreciation	<u>5,793,941</u>	<u>357,938</u>	<u>-</u>	<u>6,151,879</u>
Capital Assets, Net	<u>\$ 4,017,593</u>	<u>\$ 17,825</u>	<u>\$ -</u>	<u>\$ 4,035,418</u>

Capital asset activity for the year ended December 31, 2020 was as follows:

	Balance on December 31, 2019	Additions	Retirements	Balance on December 31, 2020
Nondepreciable Capital Assets				
Land and easements	\$ 22,000	\$ -	\$ -	\$ 22,000
Depreciable Capital Assets				
Office buildings	32,039	-	-	32,039
Furniture, fixtures and equipment	93,814	-	-	93,814
Water distribution system	9,542,562	76,943	-	9,619,505
Vehicles	44,176	-	-	44,176
Total Depreciable Capital Assets	<u>9,712,591</u>	<u>76,943</u>	<u>-</u>	<u>9,789,534</u>
Cost Basis of Capital Assets	<u>9,734,591</u>	<u>76,943</u>	<u>-</u>	<u>9,811,534</u>
Less: Accumulated Depreciation	<u>5,416,843</u>	<u>377,098</u>	<u>-</u>	<u>5,793,941</u>
Capital Assets, Net	<u>\$ 4,317,748</u>	<u>\$ (300,155)</u>	<u>\$ -</u>	<u>\$ 4,017,593</u>

Note 4: Long-Term Debt

Changes in long-term debt for the 2021 and 2020 are as follows:

	2021 Beginning Balance	Additions	Retirements	2021 Ending Balance
KRWFA Revenue Bonds	\$ 870,000	\$ -	\$ 105,000	\$ 765,000
	2020 Beginning Balance	Additions	Retirements	2020 Ending Balance
KRWFA Revenue Bonds	\$ 970,000	\$ -	\$ 100,000	\$ 870,000

Long-term debt consists of the following on December 31, 2021 and 2020:

	2021	2020
Water Revenue Bonds. In January 2013, the District issued \$1,595,000 in Series A, 2013 Revenue Bonds with a variable interest rate between 0.5% and 3.25%. The new bond issue paid-off the outstanding debt held through the Kansas Department of Health and Environment. Payments of principal and interest are due semi-annually. The series will mature on August 1, 2028.	\$ 765,000	\$ 870,000
Less: Current portion of long-term debt	(105,000)	(100,000)
Less: Unamortized bond discount	(17,920)	(20,160)
Net Long-Term Debt	\$ 642,080	\$ 749,840

Future maturities of long-term debt are as follows:

Year Ended December 31, 2021	Principal	Interest	Total
2022	\$ 105,000	\$ 22,038	\$ 127,038
2023	110,000	19,281	129,281
2024	110,000	16,188	126,188
2025	115,000	12,888	127,888
2026	120,000	9,438	129,438
2027-2028	205,000	7,476	212,476
Total	\$ 765,000	\$ 87,309	\$ 852,309

Total interest incurred and expensed in 2021 and 2020 was \$23,896 and \$25,275, respectively.

2013 KRWFA Revenue Bond Information:

The bonds were issued at a discount of \$33,600 which is amortized over the life of the bonds using the straight-line method because the effective yield method was determined to not be significantly different. There was \$2,240 of bond amortization expense for each of the years ending December 31, 2021 and 2020.

Note 5: Debt Service Ratio

The bond issue covenants require the District to maintain a debt service ratio of at least 1.25.

The following represents the debt ratio calculation for the years ending December 31:

	<u>2021</u>	<u>2020</u>
Change in net position	\$ 57,424	\$ 130,791
Interest expense	23,896	25,275
Depreciation & amortization	360,178	382,207
Less: Capital contributions	(90,431)	(153,816)
Total Revenue Available for Debt Service	<u>\$ 351,067</u>	<u>\$ 384,457</u>
Debt service payments	\$ 128,896	\$ 125,275
Debt service ratio	2.72	3.07

Note 6: Risk Management

The District 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. To insure against risk of these types of losses, the District has purchased commercial insurance coverage from EMC Insurance Company. Settled claims resulting from these risks have not exceeded commercial coverage in the past three fiscal years.

Note 7: Commitment to Install Meters

As of December 31, 2021, the District has a commitment to install meters for 12 benefit unit owners. The meters will be installed at the owners request.

Note 8: Commitment to Sell Water

The District has entered into contracts with the City of McLouth and Rural Water District No. 10, Leavenworth County by which the District sells water to each entity. Each contract has a term of 12 months, beginning January 1, expiring December 31. The contracts are updated and reviewed each year. The terms of the contracts for years ending December 31, 2022 are detailed as follows:

	<u>City of McLouth</u>	<u>RWD #10 Leavenworth Co.</u>
Base fee per month	\$ 35.00	\$ 35.00
Minimum quantity purchased (gallons)	300,000	200,000
Maximum quantity purchased (gallons)	1,250,000	1,250,000
Base rate per 1,000 gallons	\$ 6.40	\$ 6.40
Base rate per 1,000 gallons above maximum	\$ 6.55	\$ 6.55

Note 9: Compliance with Kansas Statutes

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and legal representatives of the District. There were no apparent statutory violations during the years end December 31, 2021 and 2020.

Note 10: Compensated Absences

The District grants vacation to all employees at a rate based on years of experience. Employees are allowed a maximum carry over of 40 hours of unused vacation. In the event of termination, an employee is reimbursed for accumulated vacation days. Management of the District does not believe the related liability, if any, is material to the financial statements and accordingly has not accrued such a liability in the accompanying financial statements.

Note 11: Prior Period Adjustments

Net position at December 31, 2019 has been restated as noted below.

Net Position as of December 31, 2019 (as previously stated)	\$ 4,080,867
Recognize deferred outflow of resources related to KPERS net pension liability	28,529
Recognize KPERS net pension liability	(113,355)
Recognize deferred inflow of resources related to KPERS net pension liability	(16,793)
Derecognize note issuance costs related to prior bond issuance	(22,955)
Derecognize reserve for benefit unit installation	<u>33,200</u>
Net Position as of December 31, 2019 (as currently stated)	<u>\$ 3,989,493</u>

The above restatements increased the previously reported change in net position for 2020 by \$7,627.

Note 12: Participation in KPERS Pension Plan
General Information about the Pension Plan

Plan description

The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

KPERS provides pension benefits to the following statewide pension groups under one plan, as provided by K.S.A. 74, article 49:

- Public employees, which includes
 - State/School Employees
 - Local Employees
- Police and Firemen
- Judges

Substantially all public employees in Kansas are covered by KPERS. The State of Kansas and Kansas schools are required to participate, while participation by local political subdivisions is optional but irrevocable once elected. The District is an employer participant included in the Local Employees group.

Benefits

Benefits are established by statute and may only be changed by the Kansas legislature. Members (except Police and Firemen) with ten or more years of credited service, may retire as early as age 55 (Police and Firemen may be age 50 with 20 years of credited service), with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member's combined age and years of credited service equal 85 "points" (Police and Firemen normal retirement ages are age 60 with 15 years of credited service, age 55 with 20 years, age 50 with 25 years, or any age with 36 years of service).

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74 4922.

Members choose one of seven payment options for their monthly retirement benefits. At retirement, a member may receive a lump sum payment of up to 50% of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc postretirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas.

The 2012 Legislature made changes affecting new hires, current members and employers. A new cash balance retirement plan (KPERS 3) was created for new hires starting after January 1, 2015. Normal retirement age for KPERS 3 is 65 with five years of service or 60 with 30 years of service. Early retirement is available at age 55 with ten years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74 4922.

Note 12: Participation in KPERS Pension Plan (Continued)

Contributions

Member contribution rates are established by state law, and are paid by the employee according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined based on the results of an annual actuarial valuation for each of the three statewide pension groups. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74 4921. All of the retirement systems are funded on an actuarial reserve basis.

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers, which includes the state and the school employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.2% of total payroll. The actuarially determined employer contribution rate and the statutory contribution rates are as follows for each of the years ended June 30:

	2021		2020	
	Actuarial Employer Rate	Statutory Employer Capped Rate	Actuarial Employer Rate	Statutory Employer Capped Rate
State employees	9.22%	14.23%	9.49%	14.41%
School employees	15.59	14.23	16.15	14.41
State/School employees (1)	14.23	14.23	14.74	14.41
Local government employees	8.87	8.87	8.61	8.61
Police and Firemen	22.80	22.80	21.93	21.93
Judges	17.26	17.26	18.65	18.65

(1)The State/School subgroups are combined into one group for purposes of determining a contribution rate. Rates shown for State, School and Judges represent the rates for fiscal years ending June 30, 2021 and 2020. Local and Police and Firemen rates are calendar year.

Member contribution rates as a percentage of eligible compensation in the years ended June 30, 2021 and 2020 are 6.00% for Public Employees, 7.15% for Police and Firemen, and 6.00% or 2.00% for Judges.

Employer and Nonemployer Allocations

Although KPERS administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan:

- State
- School
- Local
- Police and Firemen
- Judges

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages as of June 30, 2021, are based on the ratio of each employer's contributions to total employer and nonemployer contributions of the group for the fiscal year ended June 30, 2021. The contributions used exclude contributions made for prior service, excess benefits and irregular payments.

Note 12: Participation in KPERS Pension Plan (Continued)

Net Pension Liability (2021)

The components of the collective net pension liability of the participating employers by each group at June 30, 2021, were as follows:

	<u>Total Pension Liability</u>	<u>Less Fiduciary Net Position</u>	<u>Net Pension Liability</u>
State/School	\$ 22,490,931,300	\$ 16,856,922,061	\$ 5,634,009,239
Local	6,360,883,973	5,160,927,769	1,199,956,204
Police & Firemen	3,990,360,545	3,036,116,085	954,244,460
Judges	211,869,786	200,629,404	11,240,382
	<u>\$ 33,054,045,604</u>	<u>\$ 25,254,595,319</u>	<u>\$ 7,799,450,285</u>

The District's proportionate share of the local group net pension liability at June 30, 2021 was determined as follows:

District contributions	\$ 13,807
Local Group contributions	168,488,278
District's percentage of Local Group contributions	.008195%
Total net pension liability of the Local Group	1,199,956,204
District's proportionate share of the net pension liability	<u>\$ 98,336</u>

Net Pension Liability (2020)

The components of the collective net pension liability of the participating employers by each group at June 30, 2020, were as follows:

	<u>Total Pension Liability</u>	<u>Less Fiduciary Net Position</u>	<u>Net Pension Liability</u>
State/School	\$ 21,231,215,202	\$ 13,759,282,718	\$ 7,471,932,484
Local	5,931,407,823	4,197,753,841	1,733,653,982
Police & Firemen	3,715,609,163	2,482,472,216	1,233,136,947
Judges	202,206,885	167,365,230	34,841,655
	<u>\$ 31,080,439,073</u>	<u>\$ 20,606,874,005</u>	<u>\$ 10,473,565,068</u>

The District's proportionate share of the local group net pension liability at June 30, 2020 was determined as follows:

District contributions	\$ 13,456
Local Group contributions	165,231,118
District's percentage of Local Group contributions	.008144%
Total net pension liability of the Local Group	1,733,653,982
District's proportionate share of the net pension liability	<u>\$ 141,189</u>

Receivables

In addition to statutorily determined contractually required contributions, certain agencies also make payments through an additional component of their required employer contribution rate or annual installment payments. Both options include interest at 8 percent per year, for the cost of service credits granted retroactively when the agency initially joined the Retirement System. As of June 30, 2021 and 2020, the outstanding balance owed by agencies to the KPERS plan was \$3,408,088 and \$3,845,439, respectively. No portion of these amounts was owed by the District.

These payments are due over various time periods up through December 31, 2032. The 2016 Legislature passed Senate Bill 161 authorizing the delay of \$64.1 million in Fiscal Year 2017 contributions. Repayment is

Note 12: Participation in KPERS Pension Plan (Continued)

Receivables (Continued)

scheduled to be made in a series of twenty annual payments of \$6.4 million which began in Fiscal Year 2019. Senate Sub for HB 2002 authorized the delay of \$194 million in Fiscal Year 2019 school contributions.

Repayment is scheduled to be made in a series of twenty annual payments of \$19.4 million beginning in Fiscal Year 2020. These amounts have been set up as receivables, the balance at June 30, 2021 and 2020 was \$242,903,822 and 249,338,993, respectively. The implicit interest rate for these receivables is the assumed investment rate of return, 7.75%.

Actuarial Assumptions

Each total pension liability was determined by an actuarial valuation as of the previous December 31, which was rolled forward to June 30, using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Actuarial Cost Method	Entry age normal	Entry age normal
Price Inflation	2.75 percent	2.75 percent
Salary Increase	3.50 to 12.00 percent, including price inflation	3.25 to 11.75 percent, including price inflation
Investment Rate of Return	7.25 percent compounded annually, net of investment expense and price inflation	7.50 percent compounded annually, net of investment expense and price inflation

Mortality rates were based on the RP-2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Scale MP-2016.

The long-term expected rate of return on pension plan investments was determined using a building block method 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 ranges 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. Best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study, dated January 7, 2020, as provided by KPERS' investment consultant, are summarized in the following table:

	<u>2021</u>		<u>2020</u>	
	Long-Term Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equities	23.50%	5.20%	23.50%	5.20%
Non-U.S. Equities	23.50	6.40	23.50	6.40
Private Equity	8.00	9.50	8.00	9.50
Private Real Estate	11.00	4.45	11.00	4.45
Yield Driven	8.00	4.70	8.00	4.70
Real Return	11.00	3.25	11.00	3.25
Fixed Income	11.00	1.55	11.00	1.55
Short Term Investments	4.00	0.25	4.00	0.25
	<u>100.00%</u>		<u>100.00%</u>	

Note 12: Participation in KPERS Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability at each measurement date of June 30, 2021 and 2020 was 7.25 and 7.50 percent, respectively. The discount rate used to measure total pension liability at the prior measurement date of June 30, 2019 was 7.75 percent. The actuarial assumptions used in the calculation of each total pension liability were based on the results of the most recent actuarial experience study. It covered the three-year period of January 1, 2016 through December 31, 2018 and was dated January 7, 2020.

The projection of cash flows used to determine the discount rate was based on member and employer contributions. In KPERS, the State/School and Local groups do not necessarily contribute the full actuarial determined rate. Based on legislation first passed in 1993 and subsequent legislation, the employer contribution rates certified KPERS may not increase by more than the statutory cap. The statutory cap for Fiscal Years 2021 and 2020 was 1.2 percent.

In recent years, the Kansas legislature has made several changes to statutory rates that deviate from the scheduled contribution increases set under the caps established in 2012 for the State/School group. Under 2015 SB 4, the previously certified State/School statutory rate for Fiscal Year 2015 of 11.27 percent was reduced to 8.65 percent for the last half of the fiscal year as part of the Governor's allotment. That same session, SB 228 recertified statutory rates for the State/School group to 10.91 percent for Fiscal Year 2016 and 10.81 percent for Fiscal Year 2017 in anticipation of the issuance of \$1 billion in pension obligation bonds. Legislation in the 2016 session (SB 161) provided for the delay of up to \$100 million in State and School contributions to the Pension Plan. Legislation passed by the 2017 Legislature removed the repayment provisions included in SB 161.

In addition, 2017 Senate Sub for Sub HB 2052 delayed \$64.1 million in Fiscal Year 2017 State/School contributions, to be repaid over 20 years in level dollar installments. The first payment of \$6.4 million was paid in full at the beginning of Fiscal Year 2018, and appropriations for Fiscal Year 2018 were made at the statutory contribution rate of 12.01 percent for the State/School group. Additional legislation in the 2017 Session (Senate Sub for HB 2002) provided for a reduction of \$194 million from the previously certified contribution rate of 13.21 percent in the State/School contributions for Fiscal Year 2019. Like the Fiscal Year 2017 reduction, it is to be paid back over a 20-year period, beginning in Fiscal Year 2020. Therefore, both reductions will be accounted for as receivables by the KPERS pension plan. The 2018 Legislature passed House Sub for Sen Bill 109, which directed on-behalf payments of \$56 million in Fiscal Year 2018 and \$82 million in Fiscal Year 2019. The 2019 Legislative session passed Senate Bill 9 which provided additional contributions to the KPERS School Group of \$115 million in Fiscal Year 2019. House Sub for Senate Bill 25 from the 2019 Legislative session authorized additional funding for the KPERS School group in Fiscal Year 2020 of \$51 million.

The 2021 Legislature passed House Bill 2405, which authorizes the state of Kansas to issue bonds with net proceeds of \$500 million to fund a portion of the School group's unfunded actuarial liability, assuming certain criteria are met. As a result, the State/School contribution rate was recertified for Fiscal Years 2022 and 2023, lowering the rates respectively to 13.86 and 13.11 percent. The bond proceeds were received on August 26, 2021, and were reflected in the projected cash flows.

Based on employer contribution history as described above, it is a reasonable estimate that the State/School group's contribution rate may not be certified at the statutory rate at some point in the future. It has been assumed that contribution rates will be made within the same range as have been seen in the past few years. Using this assumption, actuarial modeling indicates that employer contribution rates for the State/School group are sufficient to avoid a depletion date. The statutory contribution rate for the combined State/School group first became equal to the actuarially required rate (ARC rate) in Fiscal Year 2021. Projections based on the same valuation, and an annual return on investments of 7.25 percent, indicate that the contribution rate will remain fairly stable until 2036. The Local, Kansas Police and Firemen, and Judges groups are contributing at the full actuarial contribution rate.

Note 12: Participation in KPERS Pension Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate (2021)

The following presents the net pension liability of the KPERS pension plan, as well as the District's proportionate share of the local group net pension liability, as of June 30, 2021, calculated using the discount rate of 7.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25 percent) or 1 percentage point higher (8.25 percent) than the current rate:

	1.00% Decrease (6.25%)	2021 Discount Rate (7.25%)	1.00% Increase (8.25%)
State/School	\$ 8,278,153,106	\$ 5,634,009,239	\$ 3,410,812,605
Local	1,973,811,456	1,199,956,204	550,980,523
Police & Firemen	1,432,229,642	954,244,460	554,409,747
Judges	30,739,614	11,240,382	(5,612,848)
	<u>\$ 11,714,933,818</u>	<u>\$ 7,799,450,285</u>	<u>\$ 4,510,590,027</u>
 District's proportionate share of the local group net pension liability	 <u>\$ 161,754</u>	 <u>\$ 98,336</u>	 <u>\$ 45,153</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate (2020)

The following presents the net pension liability of the KPERS pension plan, as well as the District's proportionate share of the local group net pension liability, as of June 30, 2020, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate:

	1.00% Decrease (6.50%)	2020 Discount Rate (7.50%)	1.00% Increase (8.50%)
State/School	\$ 9,907,295,373	\$ 7,471,932,484	\$ 5,418,722,502
Local	2,439,945,028	1,733,653,982	1,139,847,330
Police & Firemen	1,687,784,977	1,233,136,947	853,440,810
Judges	53,160,721	34,841,655	18,972,356
	<u>\$ 14,088,186,099</u>	<u>\$ 10,473,565,068</u>	<u>\$ 7,430,982,998</u>
 District's proportionate share of the local group net pension liability	 <u>\$ 198,709</u>	 <u>\$ 141,189</u>	 <u>\$ 92,829</u>

Note 12: Participation in KPERS Pension Plan (Continued)

Special Funding Situation

The employer contributions for non-public school district schools, as defined in K.S.A. 74-4931 (2) and (3), are funded by the State of Kansas on behalf of these employers. Therefore, these employers, area vocational technical schools and community junior colleges, are considered to be in a special funding situation as defined by GASB Statement No. 68. The State of Kansas is treated as a nonemployer contributing entity in the System. Since these employers do not contribute directly to the pension plan for active employees, there is no net pension liability or deferred inflows or outflows to report in the financial statements for active employees. The notes to their financial statements must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the non-public school district employer. In addition, each non-public school district employer must recognize the pension expense associated with their employer as well as revenue in an amount equal to the nonemployer contributing entities' total proportionate share of the collective pension expense associated with their employer.

A number of these employers make contributions directly to KPERS for KPERS retirees filling KPERS covered positions per K.S.A. 74-4937, "working after retirement" employees. The resulting proportional share of these agencies' "working after retirement" contributions and resulting net pension liability are attributable to the employer.

The District's participation in the KPERS pension plan is not subject to the special funding situation as described above.

Deferred Outflows of Resources and Deferred Inflows of Resources

A summary of the District's proportionate share of deferred outflows of resources and deferred inflows of resources reported as of December 31, 2021 and 2020, are detailed in the tables below. Experience gains/losses and the impact of changes in actuarial assumptions or other inputs, if any, are recognized over the average expected remaining service life of the active and inactive plan members at the beginning of the measurement period. Investment gains and losses are recognized over a fixed five-year period. Deferrals on the differences between expected and actual earnings on investments are netted as either a deferred outflow or inflow of resources.

	2021	2020
Deferred Outflows of Resources		
Differences between expected and actual experience	\$ 3,882	\$ 2,357
Net difference between projected and actual earnings on pension plan investments	-	16,473
Changes in assumptions	19,358	8,504
Changes in proportion	7,832	10,965
District contributions to the KPERS plan after the measurement date of June 30	7,967	6,595
Total Deferred Outflows of Resources	39,039	44,894
Deferred Inflows of Resources		
Differences between expected and actual experience	890	1,815
Net difference between projected and actual earnings on pension plan investments	34,919	-
Changes in proportion	4,794	9,251
Total Deferred Inflows of Resources	40,603	11,066
Net Deferred Outflows (Inflows)	\$ (1,564)	\$ 33,828

Note 12: Participation in KPERs Pension Plan (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

The following table provides the amortization effect of the District's net deferred outflows (inflows), as of December 31, 2021, that will be recognized in pension expense in future years:

<u>Future Year</u>	<u>Increase (Decrease) to Pension Expense</u>
2022	\$ 6,082
2023	1,289
2024	(1,630)
2025	(8,019)
2026	714
	<u>\$ (1,564)</u>

Pension Expense

Pension expense includes changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The components of pension expense for the years ending December 31, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Service cost	\$ 10,933	\$ 10,553
Interest	35,320	34,239
Projected earnings on plan investments	(25,513)	(26,274)
Employee contributions	(9,458)	(9,204)
Expensed portion of difference between actual and expected experience in the total pension liability	515	551
Expensed portion of current period assumption changes	3,307	1,569
Expensed portion of difference between projected and actual earnings on plan investments	(12,246)	4,103
Administrative expenses	287	226
Other changes	(45)	(40)
Recognition of beginning deferred outflows of resources	9,747	7,930
Recognition of beginning deferred inflows of resources	(3,551)	(3,880)
Total District Pension Expense	<u>\$ 9,296</u>	<u>\$ 19,773</u>

REQUIRED SUPPLEMENTAL INFORMATION

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Schedule of the District's Proportionate Share of the Net Pension Liability					
District's proportion of the net pension liability	<u>.008195%</u>	<u>.008144%</u>	<u>.008112%</u>	<u>.006848%</u>	<u>.008216%</u>
District's proportionate share of KPERs net pension liability	\$ 98,336	\$ 141,189	\$ 113,355	\$ 95,477	\$ 119,005
District's covered payroll	<u>157,797</u>	<u>154,594</u>	<u>149,770</u>	<u>123,982</u>	<u>145,712</u>
District's proportionate share of KPERs net pension liability as a percentage of the District's covered payroll	<u>62.32%</u>	<u>91.33%</u>	<u>75.69%</u>	<u>77.01%</u>	<u>81.67%</u>
KPERs fiduciary net position as a percentage of the total pension liability	<u>76.40%</u>	<u>66.30%</u>	<u>69.88%</u>	<u>68.88%</u>	<u>67.12%</u>
Schedule of District Pension Contributions					
Contractually required District contributions	\$ 13,807	\$ 13,456	\$ 12,958	\$ 10,326	\$ 12,851
Contributions in relation to the contractually required amount	<u>13,807</u>	<u>13,456</u>	<u>12,958</u>	<u>10,326</u>	<u>12,851</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 157,797</u>	<u>\$ 154,594</u>	<u>\$ 149,770</u>	<u>\$ 123,982</u>	<u>\$ 145,712</u>
Contributions as a percentage of covered payroll	<u>8.75%</u>	<u>8.70%</u>	<u>8.65%</u>	<u>8.33%</u>	<u>8.82%</u>

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Measurement date	June 30, 2015	June 30, 2014	June 30, 2013	See Note Below	See Note Below
Schedule of the District's Proportionate Share of the KPERs Net Pension Liability					
District's proportion of the net pension liability	<u>.008546%</u>	<u>.008330%</u>	<u>.008278%</u>	<u>.008307%</u>	Not Available
District's proportionate share of the net pension liability	\$ 95,447	\$ 119,005	\$ 132,209	Not Available	Not Available
District's covered payroll	<u>146,446</u>	<u>139,038</u>	<u>135,845</u>	<u>133,752</u>	<u>129,239</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>65.18%</u>	<u>85.59%</u>	<u>97.32%</u>	Not Available	Not Available
KPERs fiduciary net position as a percentage of the total pension liability	<u>65.10%</u>	<u>64.95%</u>	<u>66.60%</u>	<u>59.94%</u>	Not Available
Schedule of District Contributions to KPERs					
Contractually required contributions	\$ 13,670	\$ 12,738	\$ 11,398	\$ 10,224	\$ 10,094
Contributions in relation to the contractually required amount	<u>13,670</u>	<u>12,738</u>	<u>11,398</u>	<u>10,224</u>	<u>10,094</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 146,446</u>	<u>\$ 139,038</u>	<u>\$ 135,845</u>	<u>\$ 133,752</u>	<u>\$ 129,239</u>
Contributions as a percentage of covered payroll	<u>9.33%</u>	<u>9.16%</u>	<u>8.39%</u>	<u>7.64%</u>	<u>7.81%</u>

Note to the Schedules Above

Because KPERs first began compiling the required information in 2014, the District is only able to present complete information for the last 8 years. Some of the 2013 and 2012 required amounts are available and so these figures have been presented. In each of the next two years, the District intends to add an additional year of complete historical data to the schedule in order to comply with the GASB requirement of presenting the last 10 fiscal years in full detail.

SUPPLEMENTAL INFORMATION

Type	Expiration Date	Amount of Coverage	Description
Worker's compensation	2/1/2022	\$ 500,000 500,000	Bodily injury by accident Bodily injury by accident
Commercial property	2/1/2022	8,622,232	Buildings, standpipe, storage tank, other personal property
Crime coverage	2/1/2022	200,000	Employee dishonesty
General liability	2/1/2022	2,000,000 1,000,000 1,000,000 300,000 5,000	General aggregate limit Personal and advertising limit Each occurrence limit Fire damage limit Medical expense
Automobile	2/1/2022	500,000 500,000	Liability Uninsured/underinsured motorist
Errors and omissions	2/1/2022	1,000,000	Policy limit
Inland marine	2/1/2022	500 1,800 50,000	Small tools – one items Small tools – each occurrence Property floater
Cyber solutions	2/1/2022	100,000	Cyber coverage
Data	2/1/2022	50,000	Data compromise

Type	Expiration Date	Amount of Coverage	Description
Worker's compensation	2/1/2021	\$ 500,000 500,000	Bodily injury by accident Bodily injury by accident
Commercial property	2/1/2021	8,622,232	Buildings, standpipe, storage tank, other personal property
Crime coverage	2/1/2021	200,000	Employee dishonesty
General liability	2/1/2021	2,000,000 1,000,000 1,000,000 300,000 5,000	General aggregate limit Personal and advertising limit Each occurrence limit Fire damage limit Medical expense
Automobile	2/1/2021	500,000 500,000	Liability Uninsured/underinsured motorist
Errors and omissions	2/1/2021	1,000,000	Policy limit
Inland marine	2/1/2021	500 1,800 1,500 5,000 50,000	Small tools – one items Small tools – each occurrence Electronic hardware Electronic software Property floater
Cyber solutions	2/1/2021	100,000	Cyber coverage
Data	2/1/2021	50,000	Data compromise

	<u>2021</u>	<u>2020</u>
Benefit units	1093	1,084
Gallons sold	94,392,000	91,771,000
Gallons produced	109,771,000	126,344,000
Water loss (unaccounted for) percentage	14.00%	27.36%
Water loss gallons	15,379,000	34,573,000
Water loss (unaccounted for)	\$ 33,680.00	\$ 78,826.00
Average monthly water sales per benefit unit	\$ 70.10	\$ 67.46
Average monthly operating expense per benefit unit	\$ 72.42	\$ 69.03
Average monthly interest expense per benefit unit	\$ 1.82	\$ 2.04
Average monthly depreciation and amortization per benefit unit	\$ 27.46	\$ 28.99
Average monthly gallons sold per benefit unit	7,197	7,055
Gallons sold under contract (City of McLouth and RWD #10 Leavenworth Co.)	13,430,000	13,964,000