RURAL WATER DISTRICT NUMBER 1
Franklin County
Ottawa, Kansas

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2021

RURAL WATER DISTRICT NUMBER 1
Franklin County
Ottawa, Kansas

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rural Water District Number 1
Franklin County
Ottawa, Kansas

Opinions
We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Rural Water District Number 1, Franklin County, Ottawa, Kansas, and the related notes to the financial statements, which collectively comprise Rural Water District Number 1, Franklin County, Ottawa, Kansas's basic 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 respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Rural Water District Number 1, Franklin County, Ottawa, Kansas as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
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 in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rural Water District Number 1, Franklin County, Ottawa, Kansas, 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 opinions.

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 Rural Water District Number 1, Franklin County, Ottawa, Kansas's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of 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 and auditor's report that includes our opinions. 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 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.

INPACT
INTERNATIONAL NETWORK OF PROFESSIONAL ACCOUNTANTS
AFFILIATE

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 Rural Water District Number 1, Franklin County, Ottawa, Kansas'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 Rural Water District Number 1, Franklin County, Ottawa, Kansas'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.

Other Matters

Rural Water District Number 1, Franklin County, Ottawa, Kansas has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as noted in the table of contents taken as a whole. The revenues and expenses compared to budget (Schedule 1 listed in the table of contents) is presented for analysis and is not a required part of the basic 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statements itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole, in accordance with accounting principles generally accepted in the United States of America.

Harold K. Mayes Jr

Harold K Mayes Jr CPA
Agler & Gaeddert Chartered
Ottawa, Kansas
June 20, 2022

Rural Water District Number 1
Franklin County, Kansas

STATEMENT OF NET POSITION
December 31, 2021

ASSETS

Current Assets		
Cash and Cash Equivalents	$	747,036
Certificates of Deposit		703,936
Accounts Receivable		34,559
Line Extension Receivable		35,529
Prepaid Insurance		1,151
Total Current Assets		1,522,211
Non-Current Assets		
Capital Assets		3,843,359
Accumulate Depreciation		(1,964,192)
Total Property Plant and Equipment		1,879,167
Deferred Outflows		
KPERS Deferred Outflow		71,720
Total Assets	$	3,473,098

LIABILITIES AND NET POSITION

Current Liabilities		
Accounts Payable	$	7,777
Customer Credits		5,955
Sales Tax Payable		219
Water Protection Fee Payable		765
Payroll Liabilities		3,016
KPERS Payable		690
Total Current Liabilities		18,422
Pension Liability and Deferred Inflows		
KPERS Net Pension Liability		67,738
KPERS Deferred Inflows		24,666
Pension Liability and Deferred Inflows		92,404
Net Position		
Invested in Capital Assets		1,879,167
Unrestricted		1,483,105
Total Net Position		3,362,272
Total Liabilities and Net Position	$	3,473,098

The accompanying notes are an integral part of this statement.

Rural Water District Number 1
Franklin County, Kansas

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2021

Operating Revenues		
Water Sales	$	403,081
Capital Improvement Revenue		105,924
Total Operating Expenses		509,005
Operating Expenses		
Water Purchased		172,062
Clean Drinking Water Fee		1,449
Vehicle Expense		17,805
Utilities		13,429
Trash		681
Insurance and Bonds		13,503
Tests		1,125
One Call Locations		354
Professional Fees		8,584
Feasibility Engineering Studies		400
Clerical Fees		4
Match Compensation		2,850
Memberships		1,142
Board Reimbursement		4,545
Training		390
Repairs and Maintenance		41,002
Depreciation		105,148
Salaries		126,898
Payroll Taxes		10,827
Pension		21,813
Health Insurance		48,070
Supplies		5,803
Postage		4,639
Uniforms		603
Website		417
Internet		959
Materials		1,459
Office Rent		4,590
Other		336
Telephone		2,659
Bad debts		12
Total Operating Expenses		613,558
Total Operating Income (Loss)		(104,553)
Non-Operating Revenues (Expenses)		
Interest Income		10,440
Late Fees		10,563
Miscellaneous		6,692
Total Non-Operating Income (Loss)		27,695

The accompanying notes are an integral part of this statement.

Rural Water District Number 1
Franklin County, Kansas

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2021

Income (Loss) Before Capital Contributions	$	(76,858)
Capital Contributions		
Benefit Units		22,000
Net Income (Loss)		(54,858)
Total Net Position, Beginning of Year		3,417,130
Total Net Position, End of Year	$	3,362,272

The accompanying notes are an integral part of this statement.

Rural Water District Number 1
Franklin County, Kansas

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2021

Cash Flows from Operating Activities		
Cash Receipts from Customers	$	402,948
Cash Receipts from Line Extensions		113,052
Cash Payments to Suppliers of Goods or Services		(383,398)
Cash Payments to Employees and Employer Benefits		(115,409)
Net Cash Provided by (Used In) Operating Activities		17,193
Cash Flows from Investing Activities		
Cash Invested in Certificates of Deposits		(10,134)
Interest Income		10,440
Net Cash Provided by (Used In) Investing Activities		306
Cash Flows from Noncapital Financing Activities		
Late Fees		10,563
Miscellaneous Non-Operating Revenue		6,692
Net Cash Provided By (Used In) Investing Activities		17,255
Cash Flows from Capital and Related Financing Activities		
Proceeds from Sale of Benefit Units		22,000
Acquisition and Construction of Property, Plant & Equipment		(39,636)
Net Cash Provided (Used) by Capital and Related Financing Activities		(17,636)
Net Increase (Decrease) in Cash and Cash Equivalents		17,118
Cash and Cash Equivalents, Beginning of Year		729,918
Cash and Cash Equivalents, End of Year	$	747,036
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating Income (Loss)	$	(104,553)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:		
Depreciation		105,148
Changes in Assets and Liabilities Not Currently Affecting Cash:		
(Increase) Decrease in Accounts Receivable		1,644
(Increase) Decrease in Line Extension Receivable		7,128
(Increase) Decrease in Prepaid Expense		(306)
(Increase) Decrease in KPERS Deferred Outflows		(31,553)
Increase (Decrease) in Accounts Payable		(1,522)
Increase (Decrease) in Customer Credits		(1,777)
Increase (Decrease) in Sales Tax Payable		(3)
Increase (Decrease) in Water Protection Fee		(55)
Increase (Decrease) in Payroll Liabilities		58
Increase (Decrease) in KPERS Payable		(8)
Increase (Decrease) in KPERS Net Pension Liability		18,953
Increase (Decrease) in KPERS Deferred Inflows		24,039
Net Cash from Operating Activities	$	17,193

The accompanying notes are an integral part of this statement.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting principles consistently applied in the preparation of the accompanying financial statements are noted as follows.

1. Financial Reporting Entity

The scope of the entity for financial reporting purposes is defined as those funds for which the Rural Water District Number 1 (here in referred to as the District) is considered to be financially accountable. The District's financial statements include all of its operations. The District is a separately administered organization. The District has no component units. The District is a quasi-municipality governed by an elected six-member board.

2. Government-wide and Fund Financial Statements

Government-wide Financial Statements - The government-wide financial statements include the statement of net position. This statement reports financial information for the District as a whole. Individual funds are not displayed but the statements distinguish between governmental activities generally supported by taxes and general revenues (of which the District does not have any), from the business-types activities, generally financed in whole or in part with fees charged to external customers. The District is a special-purpose government engaged in a single governmental program (delivery of water to customers in Franklin County, Kansas).

The statement of revenues, expenses and changes in net position reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities, expenses and program revenues associated with a distinct functional activity. Program revenues include charges for water sales, fines, forfeitures, and other charges to users of the District. All other revenues not properly included with program revenues will be reported as other revenues.

3. Measurement focus and Financial Statement Presentation

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The District does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The District's statements will report using the economic resources measurement focus and the accrual basis of accounting. Reimbursements are reported as reductions to expenses or capital assets. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating income reported in the financial statements includes revenues and expenses related to the primary and, continued operations of the District. Operating revenues are charges to customers for sales or services. Operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

NOTE A. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4. Fund Types and Major Funds

***Governmental funds*:** The District has no governmental funds.

***Business-type funds*:** The District has one major enterprise fund. The Water fund accounts for the operating activities of the District's water utilities services.

5. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are short term, highly liquid investments having original maturities of three months or less, not restricted for contingencies.

6. Accounts Receivable

The direct write-off method is used for bad debts. Accounts receivable are written off when deemed uncollectible. Accordingly, no allowance for bad debts has been recorded.

7. Property, Plant and Equipment

Property, plant and equipment are reported at cost. Major improvements and betterments to existing property and equipment are capitalized. Expenditures for maintenance and repairs that do not extend the life of the applicable assets are charged to expenses as incurred.

Depreciation is provided on the straight-line basis over the estimated useful life of the assets as follows:

Storage Tank	20 years
Building, Pump Station, and Lines	30 - 40 years
Equipment and Vehicles	5 - 10 years

8. Income Tax

The District is not subject to federal or state income taxes as a quasi-governmental unit.

9. Use of 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

10. Revenues

Operating revenues and expenses included the sale of water and the expenses associated with pumping and cleaning the water. Non-operating revenues and expenses consist of investment income and sales of assets.

NOTE B - ASSETS, LIABILITIES AND NET POSITION

1. Cash and Investments; 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 funds 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.

Custodial credit risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State 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%. The District did not have any designated "peak periods" for the current year. All deposits were legally secured at December 31, 2021.

At year-end, the carrying amount of the District's deposits which includes certificates of deposit was $1,450,972 for 2021. The bank balances were $1,451,307. The difference between book and bank balance is outstanding deposits and checks. The bank balance was held by four banks resulting in a reduction in credit risk. Of the bank balance, $575,742 was covered by FDIC insurance and $875,565 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

Investments - K.S.A. 12-1675 authorizes 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.

2. Accounts Receivable Water users having meters receive a water bill around the first day of each month for the prior month's usage. Payment must be remitted to the District office no later than 15th day of the billing month. Bills not paid by the 16th of the month are subject to a ten percent (10%) late charge. Past due accounts are mailed a "Notice of Delinquency" documenting a discontinuance of the service date if payment is not received. Failure to make payment by said date will result in a discontinuance of the service and possible termination. The District has not established an allowance for doubtful accounts as bad debts are not considered to be material to the financial statements.

3. Capital Assets are detailed as follows:

Capital assets:	Beginning Balance	Additions	Retirements	Ending Balance
Storage Tank	$ 282,062	$ 0	$ 0	$ 282,062
Buildings, Pump stations, and Lines	3,207,724	37,556	1,270	3,244,010
Equipment and Vehicles	314,228	3,559	0	317,787
Totals at cost	$ 3,804,014	$ 41,115	$ 1,270	$ 3,843,859
Accumulated depreciation:				
Storage Tank	$ 251,338	$ 5,121	$ 0	$ 256,459
Buildings, Pump stations, and Lines	1,422,328	84,978	291	1,507,015
Equipment and Vehicles	185,669	15,049	0	200,718
Total accumulated depreciation	$ 1,859,335	$ 105,148	$ 291	$ 1,964,192

NOTE C - DEFINED BENEFIT PENSION PLAN

Description of plan – The Organization participates in a cost-sharing multiple-employer pension plan (Pension Plan) known as Kansas public Employees Retirement System (KPERS) KPERS is administrator of the cost sharing multiple employer defined benefit plan (Pension Plan) as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans.* KPERS financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS www.kpers.org.

KPERS provides benefit provisions 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 the Pension Plan. Participation by local political subdivisions is optional, but irrevocable once elected.

Those employees participating in the Pension Plan for the Organization are included in the local employee group.

Benefits - Benefits are established by statute and may only be changed by the Legislature. Members (except Police and Firemen) with ten or more years of credited service, may retire as early as age 55, (Police and Firemen have a different criteria) 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 service equal 85 "points" (Police and Firemen have a different criteria).

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 KPERS 3 cash balance retirement plan for new hires starting January 1, 2015, was created. 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 744922.

NOTE C - DEFINED BENEFIT PENSION PLAN - CONTINUED

Contributions - Member contributions 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 are determined based on the results of an annual actuarial valuation. 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. 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 District:

	2021	
	Actuarial Employer Rate	Statutory Employer capped rate
Local government employees	8.87 %	8.87 %

Member contribution rates as a percentage of eligible compensation of fiscal year 2021 is 6.00% respectively.

Employer and Non-employer Allocations - Although KPERS administers one cost sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial 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, the System maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedules of employer and non-employer allocations are applied to totals presented in the schedules of pension amounts by employer and non-employer. The allocation percentages for each group as of June 30, 2021 (rolled forward to December 31, 2021) and June 30, 2021 (rolled forward to December 31, 2021) are based on the ratio of each employer's contributions to total employer and non-employer contributions of the group for the fiscal year ended June 30, 2021 (rolled forward to December 31, 2021) and June 30, 2021 (rolled forward to December 31, 2021). The contributions used exclude contributions made for prior service, excess benefits and irregular payments. The employer allocation percentages have been rounded for presentation purposes. Therefore, use of these percentages to recalculate individual employer amounts presented in the schedules of pension amounts by employer and non-employer may result in immaterial differences due to rounding.

NOTE C - DEFINED BENEFIT PENSION PLAN - CONTINUED

Net Pension Liability - The components of the collective net position liability of the participating employers by each group at December 31, 2021 were as follows:

	December 31, 2021		
	Total Pension Liability	Less Fiduciary Net Position	Net Pension Liability
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
	$ 33,054,045,604	$ 25,254,595,319	$ 7,799,450,285
Rural Water District Number 1			$ 67,738

At December 31, 2021 District reported a liability of $67,738 for its proportionate share of the net pension liability.

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2020, which was rolled forward to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement was unchanged for the two years presented:

Actuarial Cost Method	Entry age normal
Inflation	2.75 percent
Salary increase	3.50 to 12.00 percent, including price inflation
Investment Rate of Return	7.75 percent compounded annually, net of investment expense, including 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. Different adjustments apply to pre-retirement versus post-retirement versus post-disability mortality tables.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study conducted for the period January 1, 2013, through December 31, 2015. The experience study is dated November 18, 2016.

The actuarial assumptions changes adopted by the Pension Plan for all groups based on the experience study:

1) Price inflation assumption lowered from 3.00 percent to 2.75 percent.
2) Investment return assumption was lowered from 8.00 percent to 7.75 percent.
3) General wage growth was lowered from 4.00 percent to 3.5 percent.
4) Payroll growth assumption was lowered from 4.00 percent to 3.00 percent.

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

NOTE C - DEFINED BENEFIT PENSION PLAN - CONTINUED

expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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:

Asset Class	Long-term Target Allocation	Long-term Expected Real Rate of Return
U.S. Equities	23.50%	5.20%
Non-U.S. Equities	23.50%	6.40%
Private Equity	8.00%	9.50%
Private Real Estate	11.00%	4.45%
Yield Driven	8.00%	4.70%
Real Return	11.00%	3.25%
Fixed Income	11.00%	1.55%
Short-term investments	4.00%	0.25%
Total	100.00%	

Discount Rate - The discount rate used to measure the total pension liability at the measurement date of June 30, 2021 was 7.25%. The discount rate used to measure total pension liability at the prior measurement date of June 30, 2021 was 7.50 percent. The actuarial assumptions used in the calculation on the total pension liability were based on the results of the most recent actuarial experience study. It covered the three-year period 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 by the Board may not increase more than the statutory cap. The statutory cap for Fiscal Year 2021 was 1.2 percent.

In recent years, the 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 2020 in anticipation of the issuance of $1 billion in pension obligation bonds. Legislation in the 2017 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 S Sub. for Sub. HB 2052 delayed $64.1 million in Fiscal Year 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 long-term receivables by the 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 authorized a transfer of $115 million to KPERS, received in March 2020. House Sub for Senate Bill 25 from the 2020 Legislative session authorized additional funding for the KPERS School group in Fiscal Year 2020 of $51 million

NOTE C - DEFINED BENEFIT PENSION PLAN - CONTINUED

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 them 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 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.

Sensitivity of the Net Position Liability to Changes in the Discount Rate - The following presents the net pension liability of the Pension plan as of December 31, 2021, calculated using the discount rate of 7.25%, as well as what the pension Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	December 31, 2021		
	1.00% Decrease (6.25%)	Current 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)
Total	$ 11,714,933,818	$ 7,799,450,285	$ 4,510,590,027
Rural Water District Number 1	$ 111,422	$ 67,738	$ 31,103

Pension Expense - For the year ended December 31, 2021, the District recognized pension expense of $21,813, which include the 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.

NOTE C - DEFINED BENEFIT PENSION PLAN - CONTINUED

Deferred Outflows of Resources and Deferred Inflows of Resources - At December 31, 2021, District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

December 31, 2021

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 2,674	$ 613
Net differenced between projected annual actual earnings on investments	0	24,053
Changes of assumptions	13,334	0
Changes in proportion	55,712	0
Total	$ 71,720	$ 24,666

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	2021
2022	$ 14,205
2023	14,233
2024	13,713
2025	3,030
2026	1,873
Thereafter	0

Through December 31, 2021 and as of the date of the report the above amounts have not changed for December 31, 2021.

NOTE D. - OTHER INFORMATION

1. Budgetary Information

The District adopts an internal budget for the support and maintenance of the District.

2. Compliance with Kansas Statutes

Management is not aware of any statutory violations for the year ended December 31, 2021.

3. 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; and natural disasters for which the District carries commercial insurance. During the last three years, claim settlements have not exceeded insurance coverage.

NOTE D. - OTHER INFORMATION – CONTINUED

4. Concentrations of Risk

The District is engaged in the sale of water to customers located in Franklin County Kansas. The District grants credit to those customers and requires no collateral; therefore, the District has a concentration of accounts receivable in this community.

5. Related Party Transactions

The District sells water to members of the Board of Directors at standard rates.

6. Subsequent events

Management has evaluated events through June 20, 2022, the date the financial statements were available to be issued, and determined there are no significant events that require disclosure.

SUPPLEMENTARY INFORMATION

Rural Water District Number 1
Franklin County, Kansas

Schedule 1

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
COMPARED TO BUDGET
For the Year Ended December 31, 2021

	Budget	Actual	Variance Over (Under)
Operating Revenues			
Water Sales	$ 413,521	$ 403,081	$ (10,440)
Capital Improvement Revenue	116,568	105,924	(10,644)
Total Operating Expenses	530,089	509,005	(21,084)
Operating Expenses			
Water Purchased	174,200	172,062	(2,138)
Clean Drinking Water Fee	1,500	1,449	(51)
Vehicle Expense	7,000	17,805	10,805
Utilities	12,000	13,429	1,429
Trash	700	681	(19)
Insurance and Bonds	11,550	13,503	1,953
Tests	1,500	1,125	(375)
One Call Locations	350	354	4
Professional Fees	10,000	8,584	(1,416)
Feasibility Engineering Studies	1,200	400	(800)
Mileage	500	0	(500)
Clerical Fees	0	4	4
Memberships	1,000	1,142	142
Board Reimbursement	5,400	4,545	(855)
Training	500	0	(500)
Repairs and Maintenance	31,500	41,002	9,502
Depreciation	0	105,148	105,148
Salaries and Payroll Taxes	144,940	126,898	(18,042)
Health Insurance	48,920	48,070	(850)
Supplies	3,000	5,803	2,803
Postage	4,900	4,639	(261)
Uniforms	500	0	(500)
Website	450	417	(33)
Internet	960	959	(1)
Materials	5,000	1,459	(3,541)
Office Rent	3,600	4,590	990
Bank Charges	100	0	(100)
Other	1,000	336	(664)
Telephone	3,500	2,659	(841)
Bad debts	300	12	(288)
Total Operating Expenses	476,070	577,075	101,005
Total Operating Income (Loss)	54,019	(68,070)	(122,089)

See Independent Auditor's Report.

Rural Water District Number 1
Franklin County, Kansas

Schedule 1

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
COMPARED TO BUDGET
For the Year Ended December 31, 2021

	Budget	Actual	Variance Over (Under)
Non-Operating Revenues (Expenses)			
Interest Income	4,000	10,440	6,440
Late Fees	12,000	10,563	(1,437)
Miscellaneous	1,000	6,692	5,692
Total Non-Operating Income (Loss)	17,000	27,695	10,695
Income (Loss) Before Capital Contributions	$ 71,019	$ (40,375)	$ (111,394)
Capital Contributions			
Benefit Units	0	22,000	22,000
Net Income (Loss)	$ 71,019	$ (18,375)	$ (89,394)

See Independent Auditor's Report.

Rural Water District Number 1
Franklin County, Kanas
SCHEDULE OF PENSION LIABILITY

Schedule 2

For The Years Ending December 31, 2021

	2020	2021*
Employers proportion (percentage) of the collective net position liability	0.000625493	0.000868497
Employer's proportionate share (amount) of the collective net pension liability	$ 48,785	$ 67,738
Employer's employee payroll	$ 151,528	$ 126,898
Employer's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll	0.3219537	0.5337988
Total pension liability as a percentage of net position	1.44%	2.01%

*Information is only available for 2 of the 10 years.