

**PUBLIC WHOLESALE WATER  
SUPPLY DISTRICT NO. 13  
MOUND CITY, KANSAS**

For the Years Ended  
December 31, 2019 and 2018  
Financial Statements and  
Independent Auditors' Report

**PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 13  
MOUND CITY, KANSAS**

**TABLE OF CONTENTS**

	<u>PAGE NUMBER</u>
FINANCIAL SECTION	
Independent Auditors' Report.....	1 - 2
Financial Statements:	
Statements of Net Assets .....	3
Statements of Activities and Changes in Net Assets.....	4
Statements of Cash Flows.....	5
Notes to Financial Statements .....	6 - 13

# Diehl Banwart Bolton

*Certified Public Accountants P.A.*

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Public Wholesale Water Supply District No. 13  
P. O. Box C  
Mound City, Kansas 66056

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Public Wholesale Water Supply District #13, Inc., as of and for the years ended December 31, 2019 and 2018 and the related notes to the financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

**Basis for Qualified Opinion**

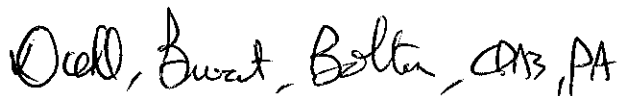
The District has implemented new accounting standards regarding the presentation and disclosure of pension obligations. The District's employees participate in the Kansas Public Employees Retirement System (KPERS), and the data needed to present the new disclosures was not available from KPERS as of the date of this report. The amount by which this departure would effect the assets, liabilities, net assets, and expenses has not been determined.

**Qualified Opinion**

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Public Wholesale Water Supply District #13, Inc., as of December 31, 2019 and 2018, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

Public Wholesale Water Supply District No. 13 has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.



DIEHL, BANWART, BOLTON, CPAs PA

January 24, 2020  
Fort Scott, Kansas

**PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 13**

**MOUND CITY, KANSAS**

Statements of Net Assets

December 31, 2018 and 2019

	2018	2019
<b>ASSETS</b>		
Current Assets		
Cash in bank	\$ 695,378	\$ 659,267
Accounts receivable	164,313	128,211
Prepaid expenses	2,409	-
Total Current Assets	<u>862,100</u>	<u>787,478</u>
Restricted Accounts		
Cash in Bank	<u>1,114,385</u>	<u>1,060,585</u>
Property, Plant and Equipment		
Land	746,018	746,018
Water plant and distribution system	19,902,674	19,902,674
Professional fees	2,336,477	2,336,477
Automobile	116,613	63,308
Machinery and Equipment	<u>129,486</u>	<u>129,486</u>
	23,231,269	23,177,964
Less: Accumulated depreciation	<u>(6,584,900)</u>	<u>(7,099,839)</u>
Net Property, Plant and Equipment	<u>16,646,369</u>	<u>16,078,125</u>
Bond Costs, Net of Amortization	<u>915,476</u>	<u>882,568</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 19,538,329</u></u>	<u><u>\$ 18,808,756</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 9,939	\$ 14,653
Accrued interest	86,501	85,424
Current portion of long-term debt	<u>310,000</u>	<u>315,000</u>
Total Current Liabilities	<u>406,440</u>	<u>415,077</u>
Long-Term Liabilities		
Revenue bonds payable - net of current portion	<u>10,500,000</u>	<u>10,185,000</u>
Net Assets		
Investment in Capital, net of debt	6,743,085	6,460,693
Restricted	1,114,385	1,060,584
Unrestricted	<u>774,420</u>	<u>687,401</u>
Total Net Assets	<u>8,631,889</u>	<u>8,208,679</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 19,538,329</u></u>	<u><u>\$ 18,808,756</u></u>

The accompanying notes are an integral part of these financial statements

**PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 13**

**MOUND CITY, KANSAS**

Statements of Activities and Changes in Net Assets

For the Years Ended December 31, 2018 and 2019

	<u>2018</u>	<u>2019</u>
Operating Revenues		
Water Sales	<u>\$ 1,318,226</u>	<u>\$ 1,173,178</u>
Operating Expenses		
Chemicals	66,543	96,568
Maintenance	20,526	36,714
Insurance	19,898	21,534
Plant expenses	81,045	90,880
Utilities and telephone	122,349	116,262
Water testing and laboratory expense	9,345	5,499
Payroll	190,182	235,649
Payroll taxes	31,659	35,704
Health insurance	35,012	35,640
Professional fees	17,856	14,912
Automobile expense	18,029	17,694
Depreciation and amortization	600,929	601,151
Office expenses	2,429	872
Other operating expenses	373	1,134
Total Operating Expenses	<u>1,216,176</u>	<u>1,310,212</u>
Net Operating Income (Loss)	<u>102,050</u>	<u>(137,034)</u>
Non Operating Revenues (Expense)		
Interest expense	(346,912)	(342,813)
Miscellaneous income	27,252	56,637
Total Non Operating Revenues (Expense)	<u>(319,661)</u>	<u>(286,175)</u>
Net Income (Loss)	(217,611)	(423,210)
Net Assets, beginning of period	<u>8,849,500</u>	<u>8,631,889</u>
Net Assets, end of period	<u>\$ 8,631,889</u>	<u>\$ 8,208,679</u>

The accompanying notes are an integral part of these financial statements.

**PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 13**  
**MOUND CITY, KANSAS**

Statements of Cash Flows  
For the Years Ended December 31, 2018 and 2019

	2018	2019
Cash Flows From Operating Activities		
Cash received from members for water sold	\$ 1,351,184	\$ 1,209,279
Cash payments to suppliers for goods and services	(430,534)	(466,289)
Cash payments to employees for services	(190,182)	(235,649)
Net Cash Provided (Used) from Operating Activities	<u>730,468</u>	<u>507,342</u>
Cash Flows from Capital and Related Financing Activities		
Cash purchases of fixed assets	(14,996)	-
Principal payments on long term debt	(305,000)	(310,000)
Interest payments on long term debt	(347,820)	(343,890)
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(667,816)</u>	<u>(653,890)</u>
Cash Flows from Noncapital Financing Activities		
Other cash receipts	27,252	56,637
Net Cash Provided from Noncapital Financing Activities	<u>27,252</u>	<u>56,637</u>
Cash Flows from Investing Activities:		
Net payments into reserve accounts	10,323	53,800
Net Cash Provided (Used) by Investing Activities	<u>10,323</u>	<u>53,800</u>
Net increase (decrease) in cash and cash equivalents	100,226	(36,111)
Cash and Cash Equivalents, beginning of year	<u>595,152</u>	<u>695,378</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 695,378</u></u>	<u><u>\$ 659,267</u></u>
Reconciliation of Operating Income to		
Net Cash Provided by Operating Activities		
Net Operating Income (Loss)	\$ 102,050	\$ (137,034)
Adjustments to reconcile net operating income to		
net cash provided by operating activities:		
Depreciation and amortization	600,929	601,151
Changes in Current Assets and Current Liabilities:		
Accounts receivable	32,959	36,102
Prepaid expenses	276	2,409
Accounts payable	(5,746)	4,715
Total adjustments	<u>628,418</u>	<u>644,376</u>
Net Cash Provided (Used) from Operating Activities	<u><u>\$ 730,468</u></u>	<u><u>\$ 507,342</u></u>

The accompanying notes are an integral part of these financial statements.

**PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 13  
MOUND CITY, KANSAS**

Notes to Financial Statements  
December 31, 2019 and 2018

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Operations - Public Wholesale Water Supply District No. 13, Mound City, Kansas, is a tax exempt municipality established under Kansas statutes, pursuant to K.S.A. 19-3545 et. seq; and is located primarily in Linn County, Kansas. The District has thirteen (13) members. Water is produced and sold to the following members: City of Parker, Kansas; City of Blue Mound, Kansas; Bourbon County Consolidated Rural Water District #2; Linn County Rural Water District #1; City of Mound City, Kansas; City of Greely, Kansas; City of Hume, Missouri; Anderson County Rural Water District #1; Miami County Rural District #3; City of Fulton, Kansas; Linn County Rural Water District #3; and City of Amoret, Missouri. The District has contracts with these members to purchase an annual total of over 230 million gallons of water for resale through the year 2047, resulting in annual minimum sales of over \$1,300,000 at current prices. The District's operations are dependent upon the economic conditions of the area.

The District applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: FASB Statements and Interpretations, APB opinions, and ARBs.

The District's activities are considered business-type activities as defined by GASB. Accordingly, the District's financial statements consist of an enterprise fund. An enterprise fund accounts for its operations in a manner similar to private enterprises, maintaining a self-balancing set of accounts. Costs of operations, including depreciation, for services provided to the public on a continuing basis are recovered through user charges.

Financial statements of an enterprise fund present increases (revenues) and decreases (expenses) in net total assets. Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with the entity's ongoing operations. The principal operating revenues of the District are charges to members for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Basis of Accounting - The accounting records of the District are maintained on an accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when incurred. For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Property and Equipment - Plant and equipment is capitalized at cost and is depreciated on the straight-line method over the estimated useful life of the assets. The estimated useful life of the construction and equipment is 40 years. Maintenance and repairs are charged to expense as incurred. Major renewals and improvements are capitalized.



1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Depreciation and Amortization – Depreciation and amortization of fixed assets and bond issue costs are recorded on the straight-line method over the following estimated useful lives:

Water Plant and Distribution System.....	40 Years
Professional Fees.....	40 Years
Machinery and Equipment.....	7 Years
Automobiles .....	7 Years
Interest and Loan Costs .....	40 Years

Accounts Receivable - The District extends unsecured credit on a monthly basis to the thirteen members of the District. All accounts receivable at December 31, 2019 and 2018 are considered fully collectible. Accordingly, no allowance for doubtful accounts is recorded in these financial statements. All accounts receivable are current except for delinquent accounts totaling \$31,860 and \$64,802 as of December 31, 2019 and 2018 respectively, as discussed in Note 11.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the District considers cash and cash equivalents to include all cash and investment instruments purchased with a maturity of three months or less, including cash with the fiscal agent.

Pension Plan - Substantially all full-time District employees are members of the State of Kansas Public Retirement System, which is a multi-employer statewide pension plan. The District's policy is to fund all pension costs incurred; such costs to be funded are actuarially determined annually by the State.

Termination and Post Employment Benefits – No termination benefits are provided to District employees when employment with the District ends.

Accounting Estimates - The preparation of financial statements in conformity with U.S. 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.

2. **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Compliance with Revenue Bond Covenants

The Revenue Bonds require certain reserve accounts as follows:

	Account Balances December 31,	
	2019	2018
Debt Service Account – requires monthly transfers of equal pro-rata amounts of debt service due so that the account has the funds available to pay the debt service when due:		
Required	\$ 323,898	\$ 322,002
Actual	\$ 390,265	\$ 444,065

2. **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY** (Continued)

	Account Balances December 31,	
	2019	2018
Debt Service Reserve Accounts		
2017 Series	\$ 83,200	\$ 83,200
2016 Series	<u>586,825</u>	<u>586,825</u>
Required	<u>\$ 670,025</u>	<u>\$ 670,025</u>
Actual	<u>\$ 670,320</u>	<u>\$ 670,320</u>

The 2017 Bonds have a rate covenant that requires rates sufficient to generate net revenues of 100% to 110% of the current year debt service, as follows:

Revenue Bonds	Current Year Debt Service	Factor	Net Revenues Required 2019	Net Revenues Required 2018
2017 Bonds	\$ 70,553	1.10	\$ 77,608	\$ 78,004
2016 Bonds	583,337	1.10	<u>641,671</u>	<u>640,098</u>
Net Revenues Required			<u>\$ 719,279</u>	<u>\$ 718,102</u>
Actual Net Revenues			<u>\$ 520,754</u>	<u>\$ 730,231</u>
Over (Short)			<u>\$ (198,525)</u>	<u>\$ 12,129</u>

3. **CASH, INVESTMENTS AND DEPOSITS WITH FINANCIAL INSTITUTIONS**

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 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, but has limited the investments to time deposits at local banks.

*Concentration of credit risk.* State 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. The District has deposits at three separate financial institutions.

*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 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 does not have any "peak periods" designated.

**3. CASH, INVESTMENTS AND DEPOSITS WITH FINANCIAL INSTITUTIONS**  
(Continued)

At December 31, 2019 and 2018 the District's carrying amounts of deposits, bank balances and depository coverage were as follows:

	<u>2019</u>	<u>2018</u>
Carrying amounts of deposit accounts	\$ 1,719,851	\$ 1,809,762
Bank balance covered by FDIC	\$ 250,000	\$ 250,000
Bank Balance covered by Securities Pledged	1,470,218	1,560,012
Bank Balance Unsecured	-	-
Total Bank balances of deposit accounts	<u>\$ 1,720,218</u>	<u>\$ 1,810,012</u>
Total Securities Pledged	<u>\$ 1,891,218</u>	<u>\$ 1,841,021</u>

**4. PROPERTY, PLANT AND EQUIPMENT**

Changes in property, plant and equipment for the years ended December 31, 2019 and 2018 were as follows:

	<u>Balance</u> <u>December 31, 2018</u>	<u>Additions/</u> <u>Depreciation</u>	<u>Dispostions</u>	<u>Balance</u> <u>December 31, 2019</u>
<u>Fixed Assets</u>				
Land	\$ 746,018	\$ -	\$ -	\$ 746,018
Water plant and distribution system	19,902,674	-	-	19,902,674
Professional Fees	2,336,477	-	-	2,336,477
Machinery and equipment	129,486	-	-	129,486
Automobiles	<u>116,613</u>	<u>-</u>	<u>53,305</u>	<u>63,308</u>
	23,231,269	-	53,305	23,177,964
Less Accumulated Depreciation:	<u>6,584,901</u>	<u>568,244</u>	<u>53,305</u>	<u>7,099,840</u>
Net Property, Plant and Equipment	<u>\$ 16,646,368</u>	<u>\$ (568,244)</u>	<u>\$ -</u>	<u>\$ 16,078,124</u>

	<u>Balance</u> <u>December 31, 2017</u>	<u>Additions/</u> <u>Depreciation</u>	<u>Dispostions</u>	<u>Balance</u> <u>December 31, 2018</u>
<u>Fixed Assets</u>				
Land	\$ 746,018	\$ -	\$ -	\$ 746,018
Water plant and distribution system	19,902,674	-	-	19,902,674
Professional Fees	2,336,477	-	-	2,336,477
Machinery and equipment	129,486	-	-	129,486
Automobiles	<u>101,617</u>	<u>14,996</u>	<u>-</u>	<u>116,613</u>
	23,216,273	14,996	-	23,231,269
Less Accumulated Depreciation:	<u>6,016,879</u>	<u>568,022</u>	<u>-</u>	<u>6,584,901</u>
Net Property, Plant and Equipment	<u>\$ 17,199,394</u>	<u>\$ (553,025)</u>	<u>\$ -</u>	<u>\$ 16,646,368</u>

**5. CAPITALIZED INTEREST AND BOND ISSUE COSTS**

Capitalized interest and bond issue costs associated with the issuance of the 2007 bonds referred to in Note 6 totaled \$1,038,531 and were capitalized. These costs are being amortized on the straight line method over the anticipated life of the bonds, which are scheduled to mature in March 2047. The bond issue costs in connection with the 2016 bonds totaled \$166,204, and are amortized for 29 years over the life of the bonds.

Bonds, net of amortization, December 31, 2017	\$ 948,383
Less amortization expense	<u>32,907</u>
Bonds, net of amortization, December 31, 2018	915,476
Less amortization expense	<u>32,907</u>
Bonds, net of amortization, December 31, 2019	<u>\$ 882,569</u>

**6. LONG-TERM DEBT**

The District's long-term debt consists of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Water System Revenue Bonds, Series A 2016, issued July 15, 2016 in the original amount of \$10,000,000, payable in annual principal payments ranging from \$35,000 to \$545,000 plus semi-annual interest at rates ranging from 1.0% to 4.0%.	\$ 9,295,000	\$ 9,575,000
Water System Revenue Bonds, Series 2017, issued June 14, 2017 in the original amount of \$1,265,000, payable in annual principal payments ranging from \$30,000 to \$450,000 plus semi-annual interest at rates ranging from 1.1% to 4.0%.	<u>1,205,000</u>	<u>1,235,000</u>
Total Revenue Bonds Payable	10,500,000	10,810,000
Less Current Portion	<u>315,000</u>	<u>310,000</u>
	<u>\$ 10,185,000</u>	<u>\$ 10,500,000</u>

**6. LONG-TERM DEBT (Continued)**

The following is a summary of changes in long-term debt for the years ended December 31, 2019 and 2018:

	Principal December 31, 2018	New Debt	Principal Paid	Principal December 31, 2019	2019 Interest Paid
<u>Revenue Bonds</u>					
Rev Bond - 2016A	\$ 9,575,000	\$ -	\$ 280,000	\$ 9,295,000	\$ 303,338
Rev Bond - 2017	1,235,000	-	30,000	1,205,000	40,553
	<u>\$ 10,810,000</u>	<u>\$ -</u>	<u>\$ 310,000</u>	<u>\$ 10,500,000</u>	<u>\$ 343,890</u>
	Principal December 31, 2017	New Debt	Principal Paid	Principal December 31, 2018	2018 Interest Paid
<u>Revenue Bonds</u>					
Rev Bond - 2016A	\$ 9,850,000	\$ -	\$ 275,000	\$ 9,575,000	\$ 306,908
Rev Bond - 2017	1,265,000	-	30,000	1,235,000	40,913
	<u>\$ 11,115,000</u>	<u>\$ -</u>	<u>\$ 305,000</u>	<u>\$ 10,810,000</u>	<u>\$ 347,820</u>

The bond principal and interest requirements are as follows:

December 31,	PRINCIPAL	INTEREST	TOTAL
2020	\$ 315,000	\$ 339,190	\$ 654,190
2021	320,000	333,893	653,893
2022	325,000	328,021	653,021
2023	330,000	321,643	651,643
2024	340,000	314,679	654,679
2025 to 2029	1,820,000	1,441,933	3,261,933
2030 to 2034	2,110,000	1,141,465	3,251,465
2035 to 2039	2,510,000	733,178	3,243,178
2040 to 2044	1,940,000	236,400	2,176,400
2045 to 2049	490,000	9,800	499,800
TOTAL	<u>\$ 10,500,000</u>	<u>\$ 5,200,200</u>	<u>\$ 15,700,200</u>

**7. WATER CONTRACTS**

The District has entered into 40 year contracts through 2047 to sell water to members in various quantities. The members have minimum monthly purchase commitments at \$5.90 per thousand gallons of actual water usage, and \$3.35 per thousand gallons as needed to reach the monthly minimum commitment. In addition, \$3.35 per thousand gallons is charged for usage over the monthly minimum commitment.

7. **WATER CONTRACTS** (Continued)

	Minimum Annual Commitments per 1,000 gallons	Estimated Annual Billing
Anderson Co., Kansas RWD #1	21,600	\$ 127,440
City of Amoret, Missouri (2)	5,400	31,860
City of Mound City, Kansas (1)	29,700	175,230
City of Parker, Kansas (1)	6,720	39,648
Miami Co., Kansas RWD #3	15,000	88,500
Linn Co., Kansas RWD #3	21,600	127,440
Linn Co., Kansas RWD #2 (1)	55,200	325,680
Linn Co., Kansas RWD #1 (1)	36,000	212,400
City of Hume, Missouri	7,224	42,621
City of Greely, Kansas	6,780	40,002
City of Fulton, Kansas	3,156	18,620
BB Co., KS Consolidated RWD#2	14,400	84,960
City of Blue Mound, Kansas	7,320	43,188
	<u>230,100</u>	<u>\$ 1,357,589</u>

(1) Entity's actual usage is normally less than the minimum annual commitments. The difference between actual usage and minimum required is billed at the lower rate.

(2) Entity has not continued to purchase water from the District.

8. **DEFINED BENEFIT PENSION PLAN**

General Information About the 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](http://www.kpers.org) or by writing to KPERS (611 S. Kansas, Suite 100; Topeka, Kansas 66603) or by calling 1-888-275-5737.

*Contributions:* K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employees is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009 and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

**8. DEFINED BENEFIT PENSION PLAN (Continued)**

State law provides that employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases on the employer contribution rates. The actuarially determined employer contribution rates (not including the 0.85% contribution rate for Death and Disability Program) were 8.98 and 8.93% for the years ended December 31, 2019 and 2018. Contributions to the pension plan from the District were \$17,677 and \$17,028 for the years ended December 31, 2019 and 2018 respectively.

*Net Pension Liability:* At December 31, 2018, the District's proportionate share of the collective net pension liability reported by KPERS was \$139,700, and the total net pension liability was \$8,900,507,111. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018. The District's proportion of the net pension liability was based on the ratio of the District's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. The District does not recognize long-term debt, this liability is not reported in these financial statements.

The information as of December 31, 2019 was not available as of the audit report date. The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publically available on the website at [www.kpers.org](http://www.kpers.org) or can be obtained as described above.

**9. CONCENTRATION OF RISK**

The District's customers are limited to thirteen cities and water districts located in and around Linn County, Kansas. As such, the risk of accounting loss exists from the possibility that several customers will not purchase water from the District. Impact of potential risk is minimized due to minimum contracts with each customer.

**10. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The District manages these various risks of loss by purchasing insurance policies.

**11. CONTINGENCIES**

Since January 2011, the City of Amoret, Missouri, a member of the District, has not purchased water from the District in accordance with the water contracts discussed in Note 7. The City has threatened bankruptcy and does not intend to pay the contracted amounts due to the District. The District responded with a lawsuit for enforcement of the water contract. The District was awarded a judgement by the Courts in favor of the District's claim, but the District has been unable to collect the amount owed by the City.

**12. SUBSEQUENT EVENTS**

Events subsequent to December 31, 2019 have been evaluated through January 24, 2020, the date the financial statement was available for issue. During this period, there were no other subsequent events requiring recognition in the financial statement or disclosure in the notes to the financial statement.