

**CHISHOLM CREEK UTILITY AUTHORITY
PARK CITY, KANSAS**

**FINANCIAL STATEMENTS
DECEMBER 31, 2019 and 2018**

**Chisholm Creek Utility Authority
Park City, Kansas**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Chisholm Creek Utility Authority
Park City, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Chisholm Creek Utility Authority (the Authority) as of and for the years ended December 31, 2019 and 2018 and the related notes to the financial statements, which collectively comprise the Authority's basic 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 opinions 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 and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 the 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 opinions.

Basis for Qualified Opinion on Proprietary Fund

The financial statements do not include the required annual cost and long-term obligations of the Authority's other postemployment benefits as required by Governmental Auditing Standards Board Statement 45 and 75. Accounting principles generally accepted in the United States of America require the financial data for these other postemployment benefits be reported in the financial statements. The amount by which this departure would affect the assets, liabilities, net position, revenue and expenses is not reasonably determinable and presumed to be material.

Qualified Opinion

In our opinion, based on our audit report, except for the effects of the matter discussed in the Basis for Qualified Opinion on Proprietary Fund paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Authority as of December 31, 2019 and 2018 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of proportionate share of collective net pension liability and schedule of the authority's contributions on pages 3-7 and 32-33 be presented to supplement the basic 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.

James Gordon & Associates CPA, P.A.

James Gordon & Associates CPA, P.A.
Manhattan, Kansas
May 12, 2020



Chisholm Creek Utility Authority Management's Discussion and Analysis

The discussion and analysis of Chisholm Creek Utility Authority's (the Authority) financial performance provides an overview of the Authority's financial activities for the year ended December 31, 2019. Please read in conjunction with the Authority's financial statements which begin after this section.

Reporting of the Authority

Our analysis of the Authority begins on page 8. One of the most important questions asked about the Authority's finances is, "Is the Authority as a whole better off or worse off as a result of the year's activities?" The statements of net position, statements of revenues, expenses, and change in net position, and statements of cash flows report information about the Authority's activities that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These statements report the Authority's net position and changes in it. The Authority's net position, the difference between assets and liabilities, is a way to measure the Authority's financial health and financial position. Increases and decreases in the Authority's net position is one indicator of whether financial health is improving or deteriorating.

Introduction

The Authority is a quasi-municipal governmental entity formed in the year 2001 in accordance with Kansas Statutes 12-2901 through 2909, referred to as the Kansas Interlocal Cooperation Act. It was formed through the joint action of the Cities of Park City and Bel Aire, Kansas for the purpose of providing "wholesale" water, wastewater and utility services to the Cities. Planning and engineering proceeded in cooperation with the Cities during that year and on March 20, 2002, the Authority closed on \$28,980,000 in revenue bonds allowing the construction of the planned water and wastewater facilities. In general, the initial 20 months were a period of acquisition of funds and construction; partial operations occurred in the wastewater function since the Authority purchased Park City's wastewater plant in a completely operational status. Full operation began in January 2003 in both the water and wastewater projects in addition to providing trash services to the citizens of Bel Aire; however, the trash service operation was sold to an unrelated entity in December 2004.

FINANCIAL STATUS AND HIGHLIGHTS

Water and Wastewater Project Costs

This is a cooperative project between the two Cities. The revenue bonds were sold based upon detailed estimates of all costs allocated to the two Cities in the categories of (1) water supply and (2) wastewater. The analysis of separated and allocated costs occurred before the sale of bonds and before the actual construction.

Chisholm Creek Utility Authority Management's Discussion and Analysis

Current Year Results

Current year results reflected an increase in operating revenues in comparison with the previous year. Operating expenses increased, and as a result had a lower net operating income than in the previous year. Nonoperating revenues decreased from the previous year. Nonoperating expenses decreased as a result of bond issuance costs and a decrease in interest expense. Overall, the Authority had a surplus in the change in net position of \$114,275 compared to \$254,082 in the prior year.

Discussion of Basic Financial Statements

The Authority's only fund is the proprietary enterprise fund, which is shown in this report. The financial statements provide detailed information which shows how money flows in and out of this fund and the balance left available for spending. This information helps to determine whether or not more or fewer financial resources can be spent in the near future to finance the Authority's activities.

The statements of net position reflect assets owned and liabilities owed at December 31, 2019 and 2018. The difference between total assets and total liabilities is referred to as net position.

The statements of revenues, expenses, and change in net position reflect operating revenues, operating and maintenance expenses, interest income, interest expense and all other changes to net position for the years ended December 31, 2019 and 2018.

The statements of cash flows reflect cash provided by or used in operating activities, capital and related financing activities, and investing activities for the years ended December 31, 2019 and 2018. The statements also disclose cash paid for interest for the years then ended.

Other Financial Matters

The Authority's purpose is to provide a reliable water and wastewater distribution system to the two Cities and the function of the Cities is to ensure that the expenses of the Authority related to the water and wastewater operations of the project constructed by the revenue bonds are paid. Expenses include debt service and operating expenses. The Cities forming the Authority have planned that the Authority shall not create surplus cash balances from the use of City funds. Therefore, the financial position, based upon the Authority's established purpose, at the end of the year was primarily as planned.

As required by the bond covenants, the rates charged by each City to its residents and businesses should result in the funds necessary for the Cities to pay for all the water and wastewater costs of the Authority in addition to all debt service payments.

**Chisholm Creek Utility Authority
Management's Discussion and Analysis**

Debt Administration

At year end the Authority had revenue bonds, capital leases and a land contract outstanding in the amount of \$22,061,919 for 2019. The debt is more fully described in Note 8 to the audited financial statements. Debt administration is handled by the Bank of New York, excluding the capital lease and land contract which are administered by Chisholm Trail State Bank.

Capital Assets

At the end of 2019 and 2018, the Authority had \$20,693,435 and \$21,487,737, respectively, invested in capital assets net of depreciation. Capital assets are more fully described in Note 2.

	<u>2019</u>	<u>2018</u>
Building and plant	\$ 15,017,148	\$ 15,017,148
Land	342,909	342,909
Equipment and lines	16,600,192	13,861,787
Accumulated depreciation	(11,266,814)	(10,316,888)
Construction in process	<u>-</u>	<u>2,582,781</u>
Net Capital Assets	<u><u>\$ 20,693,435</u></u>	<u><u>\$ 21,487,737</u></u>

Chisholm Creek Utility Authority
Management's Discussion and Analysis

Comparative Financial Reports

The following figures present abbreviated comparative information on the Authority's statements of net position at December 31, 2019 and 2018 and summaries of activities for the periods then ended.

Figure 2 – Net Position

	<u>2019</u>	<u>2018</u>
Assets		
Current and other assets	\$ 409,758	\$ 499,897
Noncurrent assets	25,165,810	25,994,219
Total Assets	<u>25,575,568</u>	<u>26,494,116</u>
Deferred Outflows	<u>31,061</u>	<u>50,180</u>
Liabilities		
Current liabilities	1,620,955	1,537,955
Noncurrent liabilities	21,866,764	22,998,153
Total Liabilities	<u>23,487,719</u>	<u>24,536,108</u>
Deferred Inflows	<u>10,525</u>	<u>14,078</u>
Net Position		
Net investment in capital assets	(1,336,372)	(1,579,399)
Restricted – bond trust	3,465,498	3,409,905
Unrestricted	(20,741)	163,604
Total Net Position	<u><u>\$ 2,108,385</u></u>	<u><u>\$ 1,994,110</u></u>

**Chisholm Creek Utility Authority
Management's Discussion and Analysis**

Figure 3 – Revenues, Expenses and Change in Net Position

	<u>2019</u>	<u>2018</u>
Operating Revenues		
Operating revenues	\$ 3,249,484	\$ 3,426,119
Operating Expenses		
Operations and maintenance	1,367,008	1,313,377
Insurance	32,816	30,066
Professional fees	23,786	23,483
Amortization	2,700	2,700
Depreciation	949,926	956,005
Total Operating Expenses	<u>2,376,236</u>	<u>2,325,631</u>
Net Operating Income	<u>873,248</u>	<u>1,100,488</u>
Nonoperating Revenues (Expenses)		
Bond proceeds and interest from escrow agent	79,542	122,867
Interest income	29,216	21,070
Other income	28	5
Interest expense	<u>(867,759)</u>	<u>(990,348)</u>
Net Nonoperating Revenues (Expenses)	<u>(758,973)</u>	<u>(846,406)</u>
Change in Net Position	114,275	254,082
Net Position - Beginning of Year	<u>1,994,110</u>	<u>1,740,028</u>
Net Position - End of Year	<u>\$ 2,108,385</u>	<u>\$ 1,994,110</u>

Contacting the Authority's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Authority's finances. The report is also designed to show the Authority's accountability for the money it receives.

Further questions concerning this report or the financial status of Chisholm Creek Utility Authority should be directed to the Authority's Utility Manager at 5551 N Broadway, Park City, Kansas 67219.



Randall Harris
Utility Manager
Chisholm Creek Utility Authority

**Chisholm Creek Utility Authority
Park City, Kansas**

**Statements of Net Position
December 31,**

	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 310,458	\$ 417,897
Accounts receivable	12,300	-
Receivable from City of Bel Aire, current portion	75,000	70,000
Note receivable, current portion	12,000	12,000
Total Current Assets	<u>409,758</u>	<u>499,897</u>
Noncurrent Assets		
Bond reserve trust accounts	3,465,498	3,409,905
Capital assets, nondepreciable	342,909	2,925,690
Capital assets, depreciable, net of accumulated depreciation	20,350,526	18,562,047
Receivable from City of Bel Aire	960,000	1,035,000
Note receivable	12,000	24,000
Intangible assets	82,498	82,498
Less accumulated amortization	(47,621)	(44,921)
Total Noncurrent Assets	<u>25,165,810</u>	<u>25,994,219</u>
Total Assets	<u>25,575,568</u>	<u>26,494,116</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pension	31,061	50,180
Total Deferred Outflows of Resources	<u>31,061</u>	<u>50,180</u>
LIABILITIES		
Current Liabilities Payable From Current Assets		
Accounts payable	187,436	138,210
Accrued compensation	34,883	34,884
Accrued payroll and payroll liabilities	17,873	8,542
Land lease, current	2,115	1,954
Total Current Liabilities Payable From Current Assets	<u>242,307</u>	<u>183,590</u>
Current Liabilities Payable from Restricted Trust Accounts		
Accrued interest payable	293,648	304,365
Bonds payable, current	1,085,000	1,050,000
Total Current Liabilities Payable from Restricted Trust Accounts	<u>1,378,648</u>	<u>1,354,365</u>
Total Current Liabilities	<u>1,620,955</u>	<u>1,537,955</u>
Noncurrent Liabilities		
Net pension liability	182,720	182,336
Land lease, net of current portion	139,804	141,919
Bonds payable, net of current portion	20,835,000	21,920,000
Unamortized bond premium	709,240	753,898
Total Noncurrent Liabilities	<u>21,866,764</u>	<u>22,998,153</u>
Total Liabilities	<u>23,487,719</u>	<u>24,536,108</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension	10,525	14,078
Total Deferred Inflows of Resources	<u>10,525</u>	<u>14,078</u>
NET POSITION		
Net Position		
Net investment in capital assets	(1,336,372)	(1,579,399)
Restricted - bond trust	3,465,498	3,409,905
Unrestricted	(20,741)	163,604
Total Net Position	<u>\$ 2,108,385</u>	<u>\$ 1,994,110</u>

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

**Chisholm Creek Utility Authority
Park City, Kansas**

**Statements of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Years Ended December 31,**

	<u>2019</u>	<u>2018</u>
Operating Revenues		
Water and wastewater services - City of Bel Aire	\$ 1,814,744	\$ 1,901,887
Water and wastewater services - City of Park City	1,434,740	1,524,232
Total Operating Revenues	<u>3,249,484</u>	<u>3,426,119</u>
Operating Expenses		
Operations and maintenance	1,367,008	1,313,377
Insurance	32,816	30,066
Professional fees	23,786	23,483
Amortization	2,700	2,700
Depreciation	949,926	956,005
Total Operating Expenses	<u>2,376,236</u>	<u>2,325,631</u>
Net Operating Income	<u>873,248</u>	<u>1,100,488</u>
Nonoperating Revenues (Expenses)		
Interest from bond reserve trust account	79,542	122,867
Interest income	29,216	21,070
Other income (expense)	28	5
Interest expense	(867,759)	(990,348)
Net Nonoperating Revenues (Expenses)	<u>(758,973)</u>	<u>(846,406)</u>
Change in Net Position	114,275	254,082
Net Position - Beginning of Year	<u>1,994,110</u>	<u>1,740,028</u>
Net Position - End of Year	<u><u>\$ 2,108,385</u></u>	<u><u>\$ 1,994,110</u></u>

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

**Chisholm Creek Utility Authority
Park City, Kansas**

**Statements of Cash Flows
Proprietary Fund
For the Years Ended December 31,**

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Cash received from cities	\$ 3,319,184	\$ 3,508,119
Cash paid to employees	(336,558)	(341,065)
Cash paid for operating activities	(1,012,546)	(868,980)
Net Cash Provided by Operating Activities	<u>1,970,080</u>	<u>2,298,074</u>
Cash Flows From Capital and Related Financing Activities		
Purchase of capital assets	(155,624)	(461,657)
Interest paid on capital debt	(878,476)	(1,088,140)
Principal paid on capital debt	(1,050,000)	(1,045,000)
Principal paid on capital lease	(1,954)	(1,961)
Premium received (paid) on bond issuance	(44,658)	(43,290)
Net Cash Used by Capital and Related Financing Activities	<u>(2,130,712)</u>	<u>(2,640,048)</u>
Cash Flows From Investing Activities		
Proceeds and investment interest from bonds	79,542	122,867
Interest received - net of bond reserves	29,216	21,070
Other receipts (disbursements)	28	5
Collections from bond reserves	(55,593)	322,682
Net Cash Provided by Investing Activities	<u>53,193</u>	<u>466,624</u>
Net Increase (Decrease) In Cash	(107,439)	124,650
Cash and Cash Equivalents, Beginning of Year	<u>417,897</u>	<u>293,247</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 310,458</u></u>	<u><u>\$ 417,897</u></u>

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

**Chisholm Creek Utility Authority
Park City, Kansas**

**Statements of Cash Flows
Proprietary Fund
For the Years Ended December 31,**

Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities

	<u>2019</u>	<u>2018</u>
Net Operating Income	\$ 873,248	\$ 1,100,488
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities		
Depreciation	949,926	956,005
Amortization	2,700	2,700
Changes in assets and liabilities:		
Accounts receivable	(12,300)	-
Notes receivable	82,000	82,000
Deferred outflows - pension	19,119	10,570
Accounts payable	49,226	124,803
Accrued payroll and related payroll liabilities	9,330	19,152
Net pension liability	384	6,233
Deferred inflows - pension	(3,553)	(3,877)
Net Cash Provided by Operating Activities	<u>\$ 1,970,080</u>	<u>\$ 2,298,074</u>
Supplemental Disclosure		
Interest Paid	<u>\$ 878,476</u>	<u>\$ 1,088,140</u>

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

**Chisholm Creek Utility Authority
Park City, Kansas**

**Notes to the Financial Statements
December 31, 2019 and 2018**

Note 1 - Summary of Significant Accounting Policies

Nature of Operations

Chisholm Creek Utility Authority (Authority) was organized in April 2001 pursuant to the Kansas Interlocal Cooperation Act. The Authority was created by an Interlocal Cooperation Agreement of the cities of Bel Aire and Park City, Kansas (Members) and is economically dependent on the Members. The Authority is governed by a six-member board of commissioners and the purpose of the Authority is to assist its Members in planning, technical and financial matters for comprehensive utilities and public services, to accomplish the desired objectives of effective utility and public services, to accomplish the desired objectives of effective utility and public service facilities, and to organize the operation of utility and public service systems. The Authority has no component units.

Use of 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, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of the Authority are included in the statements of net position. The statements of revenues, expenses and change in net position present increases and decreases in net position. Under the accrual basis of accounting, revenues are recorded when earned, and expenses are recorded when a liability is incurred. Revenues are recognized as soon as they are both measurable and available.

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Authority considers all revenues available if they are collected by the end of the year.

Expenditures are recorded when the related liability is incurred, except for un-matured interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

**Chisholm Creek Utility Authority
Park City, Kansas**

**Notes to the Financial Statements
December 31, 2019 and 2018**

Note 1 - Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The accounting records of the Authority are maintained on the accrual basis in accordance with accounting principles generally accepted in the United States of America. As a quasi-municipal corporation, the Authority applies all statements issued by the Government Accounting Standards Board (GASB).

The Authority uses a single proprietary enterprise fund to account for and report its financial activities, which is limited to *business-type activities* – i.e., activities that are financed in whole or in part by fees charged to external parties and are operated in a manner similar to private business enterprises where the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Budget

The Authority is not subject to the legal annual operating budget requirements, but is controlled by the use of an internal budget established by the governing body. As the Authority is not subject to these requirements, comparison to budget has been waived on the financial statements.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in governmental funds only. Accordingly, the Authority does not record encumbrances. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Cash and Cash Equivalents

For the statements of cash flows, cash consists of the Authority's checking account.

**Chisholm Creek Utility Authority
Park City, Kansas**

**Notes to the Financial Statements
December 31, 2019 and 2018**

Note 1 - Summary of Significant Accounting Policies (continued)

Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the Authority. The statute requires banks eligible to hold the Authority's funds have a main or branch bank in the county in which the Authority 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 Authority has not further limited its interest rate risk in its investment policy.

K.S.A. 12-1675 limits the Authority'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 Authority has limited its investment choices in its investment policy to the above and as such all cash is considered liquid and available for purposes of the statement of cash flows.

Concentration of Credit Risk

State statutes place no limit on the amount the Authority may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405. The Authority's allocation of investments as of December 31, 2019 and 2018 are as follows:

	2019	2018
Investments	Percentage of Investments	Percentage of Investments
Repurchase Agreements	62%	63%
U.S. Treasury Obligations	38%	37%

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. State statutes require the Authority'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 Authority did not use "peak periods" during 2019. All deposits are legally secured at December 31, 2019 and 2018.

At December 31, 2019 and 2018, the Authority's carrying amount of deposits and cash on hand was \$310,458 and \$417,897, respectively. The bank balances were held by one bank and were \$316,298 and \$430,826, respectively.

**Chisholm Creek Utility Authority
Park City, Kansas**

**Notes to the Financial Statements
December 31, 2019 and 2018**

Note 1 - Summary of Significant Accounting Policies (continued)

Deposits and Investments (continued)

Of the 2019 and 2018 bank balance, \$250,000 was covered by federal depository insurance (FDIC) and the remaining was collateralized with securities held by the pledging financial institutions' agents in the Authority's name respectively.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The Authority's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery versus payment. As of December 31, 2019, and 2018, none of the Authority's investments were exposed to risk since they are held in the Authority's name by the counterparty.

As of December 31, 2019, the Authority had the following investments and maturities:

	Fair Value	Investment Maturities (in years) Less than one	Rating
Repurchase Agreements	\$ 2,157,382	\$ 2,157,382	AA/F1+ by Fitch
U.S. Treasury Obligations	1,308,116	1,308,116	S&P AAAm
Total	\$ 3,465,498	\$ 3,465,498	

As of December 31, 2018, the Authority had the following investments and maturities:

	Fair Value	Investment Maturities (in years) Less than one	Rating
Repurchase Agreements	\$ 2,137,750	\$ 2,137,750	AA/F1+ by Fitch
U.S. Treasury Obligations	1,272,155	1,272,155	S&P AAAm
Total	\$ 3,409,905	\$ 3,409,905	

The book values of the investments were \$3,465,498 and \$3,409,905 as of December 31, 2019 and 2018, respectively.

**Chisholm Creek Utility Authority
Park City, Kansas**

**Notes to the Financial Statements
December 31, 2019 and 2018**

Note 1 - Summary of Significant Accounting Policies (continued)

Bond Reserve Trust Accounts

Bond reserve trust accounts consist of funds for operations and maintenance, debt service, equipment replacement reserves, and construction. Such investments include U.S. government obligations and repurchase agreements. Investments are reported at book value.

Accounts Receivable

The Authority bills the Cities on a monthly basis based on an estimated budgeted amount at the beginning of the year. At the end of the year this amount is evaluated and billed to actual. The balance shown as accounts receivable at December 31, 2019 and 2018 is comprised of this amount.

Receivable from City of Bel Aire

The Authority has a receivable from the City of Bel Aire for the temporary note that was paid off through a portion of the bonds issued in 2012 by the Authority. The temporary note was held in the City of Bel Aire's name and was used to finance Bel Aire's portion of the Headworks capital project that was completed in 2011. The City of Bel Aire is responsible for making the bond payment on the portion of the 2012 bond that relates to the payoff of the temporary note. The receivable will be paid off in 2032.

Note Receivable

The Authority entered into an agreement with Agri Environmental Services, LLC on November 17, 2016 for bio solids removal services and in the agreement, Agri Environmental Services, LLC purchased 4 pieces of equipment from the Authority in the amount of \$60,000, payable over 5 years in installments of \$12,000 per year. A monthly amount of \$1,000 is credited towards the bio solids removal services fee.

Note Receivable	\$	24,000
Less Current Portion		<u>12,000</u>
Long - Term Note Receivable	\$	<u>12,000</u>

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

**Chisholm Creek Utility Authority
Park City, Kansas**

**Notes to the Financial Statements
December 31, 2019 and 2018**

Note 1 - Summary of Significant Accounting Policies (continued)

Deferred Outflows and Inflows of Resources (continued)

The Authority reports collective deferred outflows for pensions. See Note 3 for more information on these deferred outflows. In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The Authority reports collective deferred inflows for pensions. See Note 3 for more information on these deferred inflows.

Net Position

Net position is the difference between assets and liabilities. The Authority's net position is classified as follows:

- a. *Net investment in capital assets:* This represents the Authority's total investment in capital assets, net of related debt obligations related to those capital assets.
- b. *Restricted net position – expendable:* Restricted expendable net position includes resources that have legal limitations that are imposed on their use by legislation or external restrictions by creditors or grantors to indicate that their use is limited as stipulated by contract. The Authority's bond reserve trust accounts are classified as restricted net position.
- c. *Unrestricted net position:* Unrestricted net position represents resources derived from the City of Bel Aire and Park City. These resources are used for transactions relating to the operations of the Authority and may be used at the discretion of the governing body to meet current expenses for any lawful purpose.

Operating Revenues

The Authority's rates are established by a rate ordinance. The Authority sells water and wastewater services to member cities at established rates. Bel Aire's portions are approximately 50% water service and 47% wastewater service. Park City's portions are approximately 50% water service and 53% wastewater service. Member payments are also subject to "take or pay" agreements. After these payments are applied, Bel Aire's portions are approximately 51% water service and 47% wastewater service and Park City's portions are approximately 49% water service and 53% wastewater service, for the years ended December 31, 2019 and 2018. Revenues are pledged for payments of the revenue bonds and are recognized as billed and collected.

**Chisholm Creek Utility Authority
Park City, Kansas**

**Notes to the Financial Statements
December 31, 2019 and 2018**

Note 1 - Summary of Significant Accounting Policies (continued)

Compensated Absences

Vacation

The Authority's policy regarding vacation for full-time employees is as follows:

<u>Years Worked</u>	<u>Amount Earned</u>
0-1	5 days per year accrued at 1.54 hours/pay period
2-5	10 days per year accrued at 3.08 hours/pay period
6-10	15 days per year accrued at 4.62 hours/pay period
After 10	20 days per year accrued at 6.15 hours/pay period

Vacation may not be used until the first six months of service with the Authority have been completed. The maximum accrual for vacation shall be no more than 200 hours. Upon termination of employment, employees will be paid for all accrued but unused vacation.

Sick Leave

The Authority's policy for sick leave permits employees to earn sick leave at the rate of 3.69 hours per pay period up to a maximum of 520 hours. Any sick leave accrued beyond 520 hours as of December 31st of each year will be paid out at the employee's regular rate of pay, and the employee's accrual of sick leave shall be returned to 520 hours. Regular employees, after a period of 10 years of continuous service, shall be compensated in cash for the accrued sick leave upon retirement, up to a maximum of \$10,000.

A potential liability of \$34,883 and \$34,884 existed as of December 31, 2019 and 2018, respectively, for compensated absences. This is reflected in the statement of net position.

Note 2 - Capital Assets

The costs of additions to the utility plant, replacements of retired units of property, and land are capitalized. The utility plant includes a water treatment plant to provide water services to Members' residents and related water lines and wells. In addition, wastewater treatment facilities are included in the utility plant. Costs include labor, materials and an allowance for funds used during construction. Land is recorded at cost and is not depreciated. Capital assets are recorded at cost.

Capital assets are defined by the Authority as assets or a group of assets that have an estimated useful life in excess of one year and cost \$3,000 or more. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset lives are not capitalized.

**Chisholm Creek Utility Authority
Park City, Kansas**

**Notes to the Financial Statements
December 31, 2019 and 2018**

Note 2 - Capital Assets (continued)

The sale or disposal of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income. During 2019 and 2018, there were additions of \$2,738,405 and \$118,577, respectively.

Construction in progress is stated at cost, which includes the cost of construction and other direct costs attributable to the construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use. Construction in progress at December 31, 2018 represents the costs of construction for certain energy conservation improvements to the Authority's wastewater treatment facilities. This project was completed during 2019 and properly capitalized.

The Authority capitalizes interest cost incurred on funds used during the construction phase to construct property, plant and equipment. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the life of the asset. Interest cost capitalized, net of accumulated amortization, was \$28,656 and \$30,429 for the years ended December 31, 2019 and 2018, respectively.

Depreciation is computed using the straight-line method based on service lives. Depreciation expense for the years ended December 31, 2019 and 2018 was \$949,926 and \$956,005, respectively, and as a percentage of the average depreciable utility plant in service was 2.98% and 3.00%, respectively. Estimated useful lives for equipment and lines are 5 to 40 years and 30 to 40 years for buildings and plant.

Capital asset activity for the years ended December 31, 2019 and 2018 was as follows:

	Beginning Balances 1/1/2019	Increases	Decreases	Ending Balances 12/31/2019
Buildings and plant	\$ 15,017,148	\$ -	\$ -	\$ 15,017,148
Land	342,909	-	-	342,909
Equipment and lines	13,861,787	2,738,405	-	16,600,192
 Total Capital Assets	 29,221,844	 2,738,405	 -	 31,960,249
Accumulated depreciation	(10,316,888)	(949,926)	-	(11,266,814)
Construction in progress	2,582,781	-	2,582,781	-
 Capital Assets, Net	 <u>\$ 21,487,737</u>	 <u>\$ 1,788,479</u>	 <u>\$ (2,582,781)</u>	 <u>\$ 20,693,435</u>

**Chisholm Creek Utility Authority
Park City, Kansas**

**Notes to the Financial Statements
December 31, 2019 and 2018**

Note 2 - Capital Assets (continued)

	Beginning Balances 1/1/2018	Increases	Decreases	Ending Balances 12/31/2018
Buildings and plant	\$ 15,017,148	\$ -	\$ -	\$ 15,017,148
Land	342,909	-	-	342,909
Equipment and lines	13,743,210	118,577	-	13,861,787
 Total Capital Assets	 29,103,267	 118,577	 -	 29,221,844
 Accumulated depreciation	 (9,360,883)	 (956,005)	 -	 (10,316,888)
Construction in progress	2,239,701	343,080	-	2,582,781
 Capital Assets, Net	 \$ 21,982,085	 \$ (494,348)	 \$ -	 \$ 21,487,737

Note 3 - Defined Benefit Plan

Plan Description

The Authority participates in a cost-sharing multiple-employer pension plan (Pension Plan), as defined in Governmental Accounting Standards Board Statement No. 67, Financial Reporting for Pension Plans. The Pension Plan is administered by the Kansas Public Employees Retirement System (KPERS), a body corporate and an instrumentality of the State of Kansas. 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 Authority are included in the local employees group. KPERS issues a stand-alone comprehensive annual financial report, which is available on the KPERS website at www.kpers.org.

**Chisholm Creek Utility Authority
Park City, Kansas**

**Notes to the Financial Statements
December 31, 2019 and 2018**

Note 3 - Defined Benefit Plan (continued)

Benefits

Benefits are established by statute and may only be changed by the General Assembly. Members with ten or more years of credited service may retire as early as age 55, 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.

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. The monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement 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. 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.

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 5 years of service or 60 with 30 years of service. Early retirement is available at age 55 with 10 years of service with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

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.

**Chisholm Creek Utility Authority
Park City, Kansas**

**Notes to the Financial Statements
December 31, 2019 and 2018**

Note 3 - Defined Benefit Plan (continued)

Contributions (continued)

The actuarially determined employer contribution rate and the statutory employer capped contribution rate for local government employees are both 8.89%. The member contribution rate as a percentage of eligible compensation for the fiscal year ended June 30, 2019 was 6.00% for local government employees.

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 Fireman
- 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 presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer.

The allocation percentages for the Authority's share of the collective pension amounts as of June 30, 2019 and 2018 was based on the ratio of its contributions to the total of the employer and nonemployer contributions of the group for the fiscal years ended June 30, 2019 and 2018, respectively.

The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2019, the Authority's proportion was 0.013076%, which was a decrease of 0.000006% from its proportion measured at June 30, 2018 of 0.013082%

Net Pension Liability

At December 31, 2019 and 2018, the Authority reported a liability of \$182,720 and \$182,336, respectively, for its proportionate share of the net pension liability.

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019.

**Chisholm Creek Utility Authority
Park City, Kansas**

**Notes to the Financial Statements
December 31, 2019 and 2018**

Note 3 - Defined Benefit Plan (continued)

Actuarial Assumptions (continued)

The actuarial valuation used the following actuarial assumptions applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Price inflation	2.75%
Wage inflation	3.00%
Salary increases, including price inflation	3.50%-12.00%
Long - term rate of return net of investment expense, including price inflation	7.75%

Mortality rates were based on the RP-2014 Combined Mortality Table for Males or Females, as appropriate, with adjustments based on different membership groups. The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study conducted for the three-period ending November 18, 2016.

The long-term expected rate of return of 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 and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Long - Term Target Allocation</u>	<u>Long - Term Expected Real Rate of Return</u>
Global equity	47.00 %	6.85 %
Fixed income	13.00	1.25
Yield driven	8.00	6.55
Real return	11.00	1.71
Real estate	11.00	5.05
Alternatives	8.00	9.85
Short - term investments	2.00	-0.25
Total	<u>100.00 %</u>	

**Chisholm Creek Utility Authority
Park City, Kansas**

**Notes to the Financial Statements
December 31, 2019 and 2018**

Note 3 - Defined Benefit Plan (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The state, school and local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the System's Board of Trustees for these groups may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
\$ 272,897	\$ 182,720	\$ 107,290

Pension Expense

For the years ended December 31, 2019 and 2018, the Authority recognized pension expense of \$40,322 and \$35,446 respectively, which includes 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.

**Chisholm Creek Utility Authority
Park City, Kansas**

**Notes to the Financial Statements
December 31, 2019 and 2018**

Note 3 - Defined Benefit Plan (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 400	\$ 4,602
Net differences between projected and actual earnings on investments	4,299	-
Changes in assumptions	5,585	370
Changes in proportion	9,797	5,553
Authority contributions subsequent to measurement date	10,980	-
Total	\$ 31,061	\$ 10,525

The \$10,980 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending December 31, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	
2020	\$ 5,936
2021	(666)
2022	2,617
2023	1,710
2024	(40)
Thereafter	-
	<u><u>\$ 9,557</u></u>

**Chisholm Creek Utility Authority
Park City, Kansas**

**Notes to the Financial Statements
December 31, 2019 and 2018**

Note 3 - Defined Benefit Plan (continued)

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

At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 658	\$ 5,167
Net differences between projected and actual earnings on investments	4,265	-
Changes in assumptions	7,896	878
Changes in proportion	27,403	8,033
Authority contributions subsequent to measurement date	9,958	-
Total	\$ 50,180	\$ 14,078

Note 4 - Other Post-Employment Benefits

As provided by K.S.A. 12-5040, the Authority allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Authority is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

The Authority makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

Note 5 - Risk Management - Claims and Judgements

The Authority is subject to certain business risks common to the utility industry and is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Authority carries commercial insurance for risks of loss, including property, general liability, automobile liability, employer practice liability, contractor's equipment floater, and workman's compensation liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Chisholm Creek Utility Authority
Park City, Kansas**

**Notes to the Financial Statements
December 31, 2019 and 2018**

Note 6 - Related Party Transactions

The following related party transactions were identified for 2019 and 2018. Related party transactions do not include compensation arrangements, expense allowances and reimbursements, and similar items incurred in the ordinary course of operations and, accordingly, such items are not included below.

The Authority has contracts with its Members to provide water and wastewater service for minimum amounts through 2032. Sales to its Members amounted to \$3,384,706 and \$3,426,119 for the years ended December 31, 2019 and 2018, respectively.

Note 7 - Debt Restrictions and Covenants

On April 1, 2007, the Authority entered into a bond agreement for the purchase and construction of a wastewater treatment plant and water plant. On November 27, 2012, the Authority issued water and wastewater refunding and improvement revenue bonds. On December 30, 2015, the Authority issued revenue bonds for financing a portion of the costs of the construction of certain energy conservation improvements to Authority wastewater treatment facilities. On June 6, 2017, the Authority issued water and wastewater refunding revenue bonds.

Under the Service Agreement and Ordinance adopted by City of Bel Aire, City of Park City and the Authority, the Cities have agreed to operate its System in an efficient and economic manner, satisfy certain rate covenants, and fund various funds and accounts, including reserves.

Among some of the Cities' covenants, the Series 2007, 2012, 2015 and 2017 Water and Wastewater bonds require that rates must be established by the Cities of Bel Aire and Park City to allow a net profit of 125% of all base charges and 110% of any additional indebtedness. The Cities bill customers for the water and wastewater services and then reimburse the Authority for these services provided.

The Cities are also required to carry individual insurance on the systems that is in accordance with the Prudent Utility Practice. The Cities' obligations under the Service Agreement and Ordinance are to be audited by the Cities' Independent Certified Public Accountants and can be obtained by contacting the individual Cities.

Under the Authority's covenants, the Authority is to establish and maintain a Debt Service Reserve Fund in an amount at least equal to the Debt Service Reserve Requirement and establish and maintain a Reserve for Replacements Fund in the amount equal to the Reserve for Replacement Requirement, which is \$171,500. The Authority is also required to carry and maintain insurance with respect to the Project. The Authority is in compliance with its covenants.

**Chisholm Creek Utility Authority
Park City, Kansas**

**Notes to the Financial Statements
December 31, 2019 and 2018**

Note 8 - Long-Term Liabilities

Revenue Bonds

On October 1, 2004, the Authority issued \$7,235,000 in series 2004 revenue bonds, with interest rates of 3.00% to 5.00%, to refund a portion of the series 2002 bonds dated March 1, 2002. These revenue bonds have been issued for business-type activities of the Authority. \$5,050,000 of these bonds was refunded in 2012.

On April 1, 2007, the Authority issued \$19,415,000 in series 2007 revenue bonds, with interest rates of 4.00% to 4.50%, to advance refund a portion of the remaining Series 2002 revenue bonds dated March 1, 2002. These revenue bonds have been issued for business-type activities of the Authority.

On November 27, 2012, the Authority issued \$6,400,000 in series 2012 revenue bonds, with interest rates of 2.10% to 3.05%, to advance refund a portion of the remaining Series 2004 revenue bonds dated October 1, 2004 and to advance refund a 2009 temporary note held by the City of Bel Aire, Kansas. These revenue bonds have been issued for business-type activities of the Authority.

On December 30, 2015, the Authority issued \$1,870,000 in series 2015 revenue bonds, with interest rates of 2.00% to 4.00%, for financing a portion of the costs of the construction of certain energy conservation improvements to Authority wastewater treatment facilities.

On June 6, 2017, the Authority issued \$13,530,000 in series 2017 revenue bonds, with interest rates of 3.25% to 5.0%, to advance refund a portion of the remaining Series 2007 revenue bonds dated April 1, 2007. These revenue bonds have been issued for business-type activities of the Authority.

Capital Lease

On May 21, 2002, the Authority entered into an agreement with the Marlene L. Williams Trust and the Lewis W. Williams, Jr. Trust that amended the original Escrow Agreement made on October 29, 1992 between the trusts and the City of Park City, Kansas. This amendment to the escrow agreement transferred the original lease from the City of Park City, Kansas to the Authority. The original lease was in the amount of \$179,403 with an interest rate of 8% for the tract of land that the sewer plant resides on.

**Chisholm Creek Utility Authority
Park City, Kansas**

**Notes to the Financial Statements
December 31, 2019 and 2018**

Note 8 - Long-Term Liabilities (continued)

Long-term liability activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue Bonds					
Series 2007	\$ 4,775,000	\$ -	\$ -	\$ 4,775,000	\$ -
Series 2012	2,945,000	-	975,000	1,970,000	1,010,000
Series 2015	1,720,000	-	75,000	1,645,000	75,000
Series 2017	13,530,000	-	-	13,530,000	-
Total Revenue Bonds	22,970,000	-	1,050,000	21,920,000	1,085,000
Capital Lease					
Wastewater land	143,873	-	1,954	141,919	2,115
Total	<u>\$ 23,113,873</u>	<u>\$ -</u>	<u>\$ 1,051,954</u>	<u>\$ 22,061,919</u>	<u>\$ 1,087,115</u>

Long-term liability activity for the year ended December 31, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue Bonds					
Series 2004	\$ 900,000	\$ -	\$ 900,000	\$ -	\$ -
Series 2007	4,775,000	-	-	4,775,000	-
Series 2012	3,015,000	-	70,000	2,945,000	975,000
Series 2015	1,795,000	-	75,000	1,720,000	75,000
Series 2017	13,530,000	-	-	13,530,000	-
Total Revenue Bonds	24,015,000	-	1,045,000	22,970,000	1,050,000
Capital Lease					
Wastewater land	145,834	-	1,961	143,873	1,954
Total	<u>\$ 24,160,834</u>	<u>\$ -</u>	<u>\$ 1,046,961</u>	<u>\$ 23,113,873</u>	<u>\$ 1,051,954</u>

**Chisholm Creek Utility Authority
Park City, Kansas**

**Notes to the Financial Statements
December 31, 2019 and 2018**

Note 8 - Long-Term Liabilities (continued)

Current maturities of long-term debt and interest for the next five years and in five-year increments through maturity are as follows:

	Year									
	2020	2021	2022	2023	2024	2025-2029	2030-2034	2035-2039	2040-2044	Total
Principal										
Revenue bonds	\$ 1,085,000	\$ 1,165,000	\$ 1,250,000	\$ 1,325,000	\$ 1,385,000	\$ 7,820,000	\$ 7,645,000	\$ 245,000	\$ -	\$ 21,920,000
Capital lease	2,115	2,292	2,482	2,688	2,910	18,608	27,721	41,300	41,803	141,919
Total Principal	<u>1,087,115</u>	<u>1,167,292</u>	<u>1,252,482</u>	<u>1,327,688</u>	<u>1,387,910</u>	<u>7,838,608</u>	<u>7,672,721</u>	<u>286,300</u>	<u>41,803</u>	<u>22,061,919</u>
Interest										
Revenue bonds	880,945	849,147	795,325	737,257	672,391	2,311,085	637,000	14,800	-	6,897,950
Capital lease	11,277	11,100	10,910	10,704	10,482	48,352	39,239	25,660	6,224	173,948
Total Interest	<u>892,222</u>	<u>860,247</u>	<u>806,235</u>	<u>747,961</u>	<u>682,873</u>	<u>2,359,437</u>	<u>676,239</u>	<u>40,460</u>	<u>6,224</u>	<u>7,071,898</u>
Total Principal and Interest	<u>\$ 1,979,337</u>	<u>\$ 2,027,539</u>	<u>\$ 2,058,717</u>	<u>\$ 2,075,649</u>	<u>\$ 2,070,783</u>	<u>\$ 10,198,045</u>	<u>\$ 8,348,960</u>	<u>\$ 326,760</u>	<u>\$ 48,027</u>	<u>\$ 29,133,817</u>

**Chisholm Creek Utility Authority
Park City, Kansas**

**Notes to the Financial Statements
December 31, 2019 and 2018**

Note 9 - Concentrations

Water and wastewater services are only sold to the member cities of Park City and Bel Aire. The total number of customers (measured by the number of meters) of each city at December 31, 2019 were 3,208 and 3,205, respectively. The Authority is economically dependent on these two members.

Note 10 - Commitment

The Authority entered into a Bio Solids Removal Services Contract with Agri Environmental Services, LLC on November 17, 2016 for the removal, transportation and disposal of the bio solids produced by the wastewater treatment plant. The agreement began on January 1, 2017 and will continue through December 31, 2021. The Authority has the right to continue the contract for an additional five-year term if both parties agree. The contract fee is \$80,000, payable in equal monthly installments for each year of the term.

Note 11 - Contingency

An arbitrage analysis was completed on the Series 2007, 2012, 2015 and 2017 outstanding bonds during the year ended December 31, 2019. Arbitrage is defined as the process of investing low-yielding, tax-exempt bond proceeds in higher-yielding, taxable securities, resulting in interest revenue exceeding interest cost. The Tax Reform Act of 1986 requires that these arbitrage interest earnings be remitted to the federal government. As of the computation date of this analysis, no rebate payment or yield reduction payment was required to be made on these bonds. However, it is reasonably possible that an expected rebate payment will be required within 60 days after the next installment computation date, which will occur in 2020.

Note 12 - Litigation

The Authority is subject to legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material financial impact on the affected fund of the Authority.

Note 13 - Environmental Issues

The Authority's operation of the water and wastewater utility services poses a potential risk for environmental remediation liabilities. The operator of the facilities has indicated that the Authority has not violated environmental laws.

Note 14 - Subsequent Events

The Authority has evaluated subsequent events through the date of the independent auditor's report, the date which the financial statements were available to be issued.

Required Supplementary Information

CHISHOLM CREEK UTILITY AUTHORITY
Schedule of Proportionate Share of Collective Net Pension Liability
Kansas Public Employees Retirement System
December 31,

	<u>2019</u>		<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>
Proportion of the collective net pension liability	0.0131 %		0.0131 %		0.0122 %		0.0130 %		0.0125 %
Proportionate share of the net pension liability	\$ 182,720	\$	182,336	\$	176,103	\$	200,970	\$	164,183
Covered-employee payroll	252,214		239,831		220,609		216,644		214,248
Plan net position as a percentage of the total pension liability	69.88%		68.88%		67.12%		65.09%		64.95%
Proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	72.45 %		76.03 %		79.83 %		92.77 %		76.63 %

GASB 68 requires presentation of ten years. As of December 31, 2019, only five years of information is available.

CHISHOLM CREEK UTILITY AUTHORITY

Schedule of the Authority's Contributions Kansas Public Employees Retirement System December 31,

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 20,888	\$ 19,727	\$ 19,017	\$ 20,780	\$ 19,122
Contributions in relation to the contractually required contribution	20,888	19,727	19,017	20,780	19,122
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
The Authority's covered-employee payroll	\$ 211,203	\$ 235,125	\$ 224,787	\$ 226,362	\$ 201,709
Contributions as a percentage of covered-employee payroll	9.89%	8.39%	8.46%	9.18%	9.48%

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