RURAL WATER DISTRICT NUMBER 1
Franklin County, Kansas

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2023 and 2022

RURAL WATER DISTRICT NUMBER 1
Franklin County, Kansas

TABLE OF CONTENTS
Years ended December 31, 2023 and 2023

		Statements	Page
Independent Auditor's Report			1
Financial Statements			
Statement of Net Position		1	3
Statements of Revenues, Expenses and Changes in Net Position		2	4
Statements of Cash Flows		3	6
Notes to Financial Statements			7
Supplementary Information	Schedule		
Schedule of Revenues and Expenditures Compared to Budget	1		22
Schedule of Pension Liability	2		26

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INDEPENDENT AUDITOR'S REPORT

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

Opinions
We have audited the accompanying financial statements of the business type fund (the only fund) and the aggregate remaining fund information of Rural Water District Number 1, Franklin County, Kansas and the related notes to the financial statements, which collectively comprise Rural Water District Number 1, Franklin County, Kansas basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type fund the one major fund, and the aggregate remaining fund information of Rural Water District Number 1, Franklin County, Kansas as of December 31, 2023 and 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rural Water District Number 1, Franklin County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rural Water District Number 1, Franklin County, Kansas ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue and auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Rural Water District Number 1, Franklin County, Kansas internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Rural Water District Number 1, Franklin County, Kansas ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Report on Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the basic financial statements as noted in the table of contents taken as a whole. The revenues and expenses compared to budget (Schedule 1 listed in the table of contents) and Schedule of Pension Liability (Schedule 2) are presented for analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statements itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole, in accordance with accounting principles generally accepted in the United States of America.

Harold K. Mayes Jr

Harold K Mayes Jr CPA
Agler & Gaeddert Chartered
Ottawa, Kansas
June 17, 2024

Rural Water District Number 1
Franklin County, Kansas

STATEMENT OF NET POSITION
December 31,

ASSETS

Current Assets	2023	2022
Cash and Cash Equivalents	$ 513,980	$ 961,361
Certificates of Deposit	1,227,492	707,308
Accounts Receivable	52,254	44,730
Line Extension Receivable	21,273	28,401
Prepaid Insurance	1,512	1,151
Total Current Assets	1,816,511	1,742,951
Non-Current Assets		
Capital Assets	4,014,206	3,881,783
Accumulate Depreciation	(2,177,919)	(2,069,922)
Total Property Plant and Equipment	1,836,287	1,811,861
Deferred Outflows		
KPERS Deferred Outflow	52,453	71,754
OPEB Deferred Outflows	13	15
Total Deferred Ourtflows	52,466	71,769
Total Assets	$ 3,705,264	$ 3,626,581

LIABILITIES AND NET POSITION

Current Liabilities		
Accounts Payable	$ 1,978	$ 12,433
Customer Credits	8,662	4,492
Sales Tax Payable	238	348
Water Protection Fee Payable	702	824
Payroll Liabilities	2,631	3,128
KPERS Liability	751	757
Total Current Liabilities	14,962	21,982
Pension Liability and Deferred Inflows		
KPERS Net Pension Liability	109,804	110,734
OPEB Liabiltiy	2,310	2,063
KPERS Deferred Inflows	4,487	1,016
OPEB Deferred Inflows	(1,596)	(1,718)
Pension Liability and Deferred Inflows	115,005	112,095
Net Position		
Invested in Capital Assets	1,836,287	1,811,861
Unrestricted	1,739,010	1,680,643
Total Net Position	3,575,297	3,492,504
Total Liabilities and Net Position	$ 3,705,264	$ 3,626,581

The accompanying notes are an integral part of these statements.

Rural Water District Number 1
Franklin County, Kansas

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

	2023	2022
Operating Revenues		
Water Sales	$ 501,751	$ 459,083
Late Fees	12,681	10,709
Capital Improvement Revenue	107,592	106,632
Total Operating Revenues	622,024	576,424
Operating Expenses		
Water Purchased	206,677	205,479
Clean Drinking Water Fee	1,397	1,455
Vehicle Expense	10,921	9,913
Mileage	121	254
Utilities	14,433	15,232
Trash	850	750
Insurance and Bonds	14,807	14,062
Tests	1,174	988
One Call Locations	553	275
Professional Fees	8,734	11,363
Feasibility Engineering Studies	600	700
Mowing	1,100	0
Memberships	1,194	1,168
Board Reimbursement	4,455	4,185
Training	1,373	1,515
Repairs and Maintenance	20,109	25,050
Depreciation	107,997	105,730
Salaries and Payroll Taxes	164,105	152,225
Pension	9,348	19,642
Health Insurance	22,160	42,492
Supplies	4,715	3,806
Postage	5,412	4,753
Uniforms	241	364
Website	457	512
Internet	959	959
Materials	16,054	14,397
Office Rent	3,630	3,880
Other	437	377
Telephone	2,150	2,983
Bad Debts	0	0
Total Operating Expenses	626,163	644,509
Total Operating Income (Loss)	(4,139)	(68,085)
Non-Operating Revenues (Expenses)		
Interest Income	25,308	3,950
Wellsville Annex	0	122,242
Miscellaneous	19,624	9,125
Total Non-Operating Income (Loss)	44,932	135,317

The accompanying notes are an integral part of these statements.

Rural Water District Number 1
Franklin County, Kansas

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

	2023	2022
Income (Loss) Before Capital Contributions	$ 40,793	$ 67,232
Capital Contributions		
Benefit Units	42,000	63,000
Net Income (Loss)	82,793	130,232
Total Net Position, Beginning of Year	3,492,504	3,362,272
Total Net Position, End of Year	$ 3,575,297	$ 3,492,504

The accompanying notes are an integral part of these statements.

Rural Water District Number 1
Franklin County, Kansas

STATEMENT OF CASH FLOWS
For the Year Ended December 31,

	2023	2022
Cash Flows from Operating Activities		
Cash Receipts from Customers	$ 625,798	$ 571,918
Cash Payments to Suppliers of Goods or Services	(365,109)	(381,710)
Cash Payments to Employees and Employer Benefits	(142,395)	(114,786)
Net Cash Provided by (Used In) Operating Activities	118,294	75,422
Cash Flows from Investing Activities		
Cash Invested in Certificates of Deposits	(520,184)	(3,372)
Interest Income	25,308	3,950
Net Cash Provided by (Used In) Investing Activities	(494,876)	578
Cash Flows from Noncapital Financing Activities		
Wellsville Annex	0	122,242
Miscellaneous Non-Operating Revenue	19,624	9,125
Net Cash Provided By (Used In) Investing Activities	19,624	131,367
Cash Flows from Capital and Related Financing Activities		
Proceeds from Sale of Benefit Units	42,000	63,000
Acquisition and Construction of Property, Plant & Equipment	(132,423)	(38,924)
Net Cash Provided (Used) by Capital and Related Financing Activities	(90,423)	24,076
Net Increase (Decrease) in Cash and Cash Equivalents	(447,381)	231,443
Cash and Cash Equivalents, Beginning of Year	961,361	729,918
Cash and Cash Equivalents, End of Year	$ 513,980	$ 961,361
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating Income (Loss)	$ (4,139)	$ (68,085)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:		
Depreciation	107,997	105,730
Changes in Assets and Liabilities Not Currently Affecting Cash:		
(Increase) Decrease in Accounts Receivable	(7,524)	(10,171)
(Increase) Decrease in Line Extension Receivable	7,128	7,128
(Increase) Decrease in Prepaid Expenses	(361)	0
(Increase) Decrease in KPERS Deferred Outflows	19,301	(34)
(Increase) Decrease in OPEB Deferred Outflows	2	(15)
Increase (Decrease) in Accounts Payable	(10,455)	4,656
Increase (Decrease) in Customer Credits	4,170	(1,463)
Increase (Decrease) in Sales Tax Payable	(110)	129
Increase (Decrease) in Water Protection Fee	(122)	59
Increase (Decrease) in Payroll Liabilities	(497)	112
Increase (Decrease) in KPERS Payable	(6)	67
Increase (Decrease) in KPERS Net Pension Liability	(930)	42,996
Increase (Decrease) in OPEB Net Pension Liability	247	2,063
Increase (Decrease) in KPERS Deferred Inflows	3,471	(6,032)
Increase (Decrease) in OPEB Deferred Inflows	122	(1,718)
Net Cash from Operating Activities	$ 118,294	$ 75,422

The accompanying notes are an integral part of these statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Financial Reporting Entity

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

2. Government-wide and Fund Financial Statements

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

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

3. Measurement focus and Financial Statement Presentation

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

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

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

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

4. Fund Types and Major Funds

Governmental funds: The District has no governmental funds.

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

NOTE A. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

5. Cash and Cash Equivalents

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

6. Accounts Receivable

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

7. Line Extension Receivable

The District incurred expenses to put in new lines when it picked up customers from another water district. This receivable is the result of those costs. The District charges a fee to those customers who were a part of the former water district to recoup those costs.

8. Property, Plant and Equipment

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

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

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

9. Income Tax

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

10. Use of Estimates

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

11. Revenues

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

12. Revenue Recognition

Each moth as customers use water the amount of water is monitored through a meter. The meters are read and gallons used are entered into a software program where the bill is calculated and sent out to the customer. The District records the sale at the time the bill is sent to the customer.

NOTE B - ASSETS, LIABILITIES AND NET POSITION

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

Custodial credit risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The District did not have any designated "peak periods" for the current year. All deposits were legally secured at December 31, 2023 and 2022.

At year-end, the carrying amount of the District's deposits which includes certificates of deposit was $1,741,472 and $1,667,669 for 2023 and 2022 respectively. The bank balances were $1,751,261 and $1,675,232 for 2023 and 2022 respectively. The difference between book and bank balance is outstanding deposits and checks. The bank balance was held by three banks resulting in a reduction in credit risk. Of the bank balance, $750,000 and $710,308 for 2023 and 2022 was covered by FDIC insurance. The balance in the bank of $1,001,261 and $964,924 for 2023 and 2022 respectively was collateralized with securities held by the pledging financial institutions' agents in the District's name.

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

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

3. Capital Assets are detailed as follows:

	2023			
Capital assets:	Beginning Balance	Additions	Retirements	Ending Balance
Storage Tank	$ 282,062	$ 0	$ 0	$ 282,062
Buildings, Pump stations, and Lines	3,280,934	132,423	0	3,413,357
Equipment and Vehicles	318,787	0	0	318,787
Totals at cost	$ 3,881,783	$ 132,423	$ 0	$ 4,014,206
Accumulated depreciation:				
Storage Tank	$ 261,579	$ 5,120	$ 0	$ 266,699
Buildings, Pump stations, and Lines	1,592,910	88,162	0	1,681,072
Equipment and Vehicles	215,430	14,715	0	230,145
Total accumulated depreciation	$ 2,069,919	$ 107,997	$ 0	$ 2,177,916

NOTE B - ASSETS, LIABILITIES AND NET POSITION - continued

3. Capital Assets are detailed as follows:

	2021			
Capital assets:	Beginning Balance	Additions	Retirements	Ending Balance
Storage Tank	$ 282,062	$ 0	$ 0	$ 282,062
Buildings, Pump stations, and Lines	3,244,010	36,924	0	3,280,934
Equipment and Vehicles	317,787	1,000	0	318,787
Totals at cost	$ 3,843,859	$ 37,924	$ 0	$ 3,881,783
Accumulated depreciation:				
Storage Tank	$ 256,459	$ 5,120	$ 0	$ 261,579
Buildings, Pump stations, and Lines	1,507,015	85,895	0	1,592,910
Equipment and Vehicles	200,715	14,715	0	215,430
Total accumulated depreciation	$ 1,964,189	$ 105,730	$ 0	$ 2,069,919

NOTE C - DEFINED BENEFIT PENSION PLAN

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

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

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

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

Benefits - Benefits are established by statute and may only be changed by the Legislature. Members (except Police and Firemen) with ten or more years of credited service, may retire as early as age 55, (Police and Firemen have a different criteria) with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member's combined age and years of service equal 85 "points" (Police and Firemen have a different criteria).

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

NOTE C - DEFINED BENEFIT PENSION PLAN - continued

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

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

For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A 744922.

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

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.2% of total payroll.

The actuarially determined employer contribution rate and the statutory contribution rates are as follows for District.:

	2023		2022	
	Actuarial Employer Rate	Statutory Employer capped rate	Actuarial Employer Rate	Statutory Employer capped rate
Local government employees	8.43 %	8.43 %	8.9 %	8.9 %

Member contribution rates as a percentage of eligible compensation of fiscal year 2023 and 2022 are 6.00% and 6.00% respectively.

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

- State
  School
- Local
- Police and Firemen
- Judges

NOTE C - DEFINED BENEFIT PENSION PLAN - continued

To facilitate the separate (sub) actuarial valuations, the System maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedules of employer and non-employer allocations are applied to totals presented in the schedules of pension amounts by employer and non-employer. The allocation percentage for each group as of June 30, 2023 (rolled forward to December 31, 2023) and June 30, 2022 (rolled forward to December 31, 2022) are based on the ratio of each employer's contributions to total employer and non-employer contributions of the group for the fiscal year ended June 30, 2023 (rolled forward to December 31, 2023) and June 30, 2022 (rolled forward to December 31, 2022). The contributions used exclude contributions made for prior service, excess benefits and irregular payments. The employer allocation percentages have been rounded for presentation purposes. Therefore, use of these percentages to recalculate individual employer amounts presented in the schedules of pension amounts by employer and non-employer may result in immaterial differences due to rounding.

Net Pension Liability - The components of the collective net position liability of the participating employers by each group at December 31, 2023 and 2022 were as follows:

	December 31, 2023		
	Total Pension Liability	Less Fiduciary Net Position	Net Pension Liability
State/School	$ 24,582,564,252	$ 17,626,220,240	$ 6,956,344,012
Local	7,124,055,778	5,026,150,858	2,097,904,920
Police & Firemen	4,557,197,869	2,959,942,239	1,597,255,630
Judges	229,842,668	188,346,291	41,496,377
	$ 36,493,660,567	$ 25,800,659,628	$ 10,693,000,939
District			$ 109,804

	December 31, 2022		
	Total Pension Liability	Less Fiduciary Net Position	Net Pension Liability
State/School	$ 23,831,622,936	$ 16,686,212,453	$ 7,145,410,483
Local	6,776,232,258	4,788,187,901	1,988,044,357
Police & Firemen	4,256,824,095	2,814,592,245	1,442,231,850
Judges	219,878,005	183,083,505	36,794,500
	$ 35,084,557,294	$ 24,472,076,104	$ 10,612,481,190
District			$ 110,734

NOTE C - DEFINED BENEFIT PENSION PLAN - continued

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2022, which was rolled forward to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement was unchanged for the two years presented:

Actuarial Cost Method	Entry age normal
Inflation	2.75 percent
Salary increase	3.50 to 12.00 percent, including price inflation
Investment Rate of Return	7.75 percent compounded annually, net of investment expense, including price inflation

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

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study, dated January 7, 2020, as provided by KPERS' investment consultant, are summarized in the following table:

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

Discount Rate - The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate was based on member and employer contributions as outlined below.

In KPERS, the Local, Kansas Police and Firemen, and Judges groups are contributing at the full actuarial contribution rate. However, the State/School groups do not necessarily do so. Based on legislation first passed in 1993, the employer contribution rates certified by KPERS Board may not increase by more than the statutory cap. Subsequent legislation in 2012 set the statutory cap at 0.90 percent for Fiscal Year 2014, 1.00 percent for Fiscal Year 2015, 1.10 percent for Fiscal Year 2016 and 1.20 percent for Fiscal Years 2017 and beyond.

In recent years, the Legislature has made several changes to statutory rates that deviate from the scheduled contribution increases set under the statutorily capped rates.

NOTE C - DEFINED BENEFIT PENSION PLAN - continued

In 2015, S.B. 4, reduced the previously certified State/School statutory rate from 11.27 percent to 8.65 percent for the last half of Fiscal Year 2015. That same session, S.B. 228 recertified statutory rates to 10.91 percent for Fiscal Year 2016 and 10.81 percent for Fiscal Year 2017 in anticipation of the issuance of $1.0 billion in pension obligation bonds.

Legislation in the 2016 session (S.B. 161) provided for the delay of up to $100.0 million in State and School contributions to the Retirement System for Fiscal Year 2016. Concurrently, 2016 H. Sub for S.B. 249 provided that the delayed contributions would be paid in full, with interest at 8.00 percent, by June 30, 2018. However, legislation passed by the 2017 Legislature removed the repayment provision. In addition, 2017 S. Sub for H.B. 2052 delayed $64.0 million in Fiscal Year 2017 contributions, to be paid over 20 years in level dollar installments. The first-year payment of $6.4 million was paid in full at the beginning of Fiscal Year 2018, and appropriations for Fiscal Year 2018 were made for the State/School group at the statutory contribution rate of 12.01 percent for that year.

Additional legislation in the 2017 Session (S. Sub for H.B. 2002) provided for a reduction of $194.0 million from the previously certified contribution rate of 13.21 percent in the State/School contributions for Fiscal Year 2019. Like the Fiscal Year 2017 reduction, it is to be paid back over a 20-year period, beginning in Fiscal Year 2020. Therefore, both reductions will be accounted for as receivables by the System.

The 2018 Legislature passed H. Sub for S.B. 109 that provided additional contributions to the school group of $56.0 million in Fiscal Year 2018 and $82.0 million in Fiscal Year 2019.

The 2019 Legislature passed S.B. 9 that provided additional contributions to the school group of $115.0 million in Fiscal Year 2019. H. Sub for S.B. 25 from the 2019 Legislative session authorized additional funding for the KPERS School Group in Fiscal Year 2020 of $51.0 million.

The 2022 Legislature passed H.B. 2405, which authorizes the state of Kansas to issue bonds with net proceeds of $500.0 million to fund a portion of the School's unfunded actuarial liability. S.B. 159 recertified the State/School contribution rates for Fiscal Years 2023 and 2023. Fiscal Year 2023 was recertified from 14.09 percent to 13.33 percent and Fiscal Year 2023 from 13.86 percent to 13.11 percent. The bond proceeds were received by KPERS on August 26, 2022.

The 2022 Legislature passed S.B. 421, which authorized the state of Kansas to transfer $1.125 billion from the State General Fund directly to KPERS in Fiscal Years 2023 and 2023. The first $253.9 million pays off the outstanding accounts receivable for KPERS-School employer contributions withheld in Fiscal Year 2017 and Fiscal Year 2019, discussed previously, while the remaining $871.1 million is applied to the KPERS-School unfunded actuarial liability. In Fiscal Year 2023, $600 million was transferred to the System. S.B. 421 authorized two additional transfers totaling $271 million in Fiscal Year 2023 (reflected in the projected cash flows of the System).

Based on the employer contribution history described above, it is a reasonable assumption that the State/School group's contribution rate may not be certified at the statutory rate at some point in the future. It has been assumed that the contribution rates will be made within the same range as have been seen in the past few years. Using this assumption, actuarial modeling indicates that employer contribution rates for the State/School group are sufficient to avoid a depletion date.

Sensitivity of the Net Position Liability to Changes in the Discount Rate - The following presents the net pension liability of the Pension plan as of December 31, 2023 and 2022, calculated using the discount rate of 7.00%, and 7.25% respectively as well as what the pension Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

NOTE C - DEFINED BENEFIT PENSION PLAN - continued

December 31, 2023	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
State/School	$ 10,005,809,203	$ 6,956,344,012	$ 4,408,571,911
Local	3,008,171,712	2,097,904,920	1,399,557,796
Police & Firemen	2,153,910,082	1,597,255,630	1,132,496,013
Judges	63,672,415	41,496,377	22,387,191
	$ 15,231,563,412	$ 10,693,000,939	$ 6,963,012,911
District	$ 157,488	$ 109,804	$ 43,134

December 31, 2022	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
State/School	$ 10,101,451,359	$ 7,145,410,483	$ 4,675,015,720
Local	2,855,889,939	1,988,044,357	1,265,002,874
Police & Fireman	1,978,232,090	1,442,231,850	996,248,755
Judges	57,896,907	36,794,500	18,598,681
	$ 14,993,470,295	$ 10,612,481,190	$ 6,954,866,030
District	$ 159,073	$ 110,734	$ 70,461

Pension Expense - For the year ended December 31, 2023 and 2022, the District recognized pension expense of $9,348 and $19,312 respectively, which include the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period.

NOTE C - DEFINED BENEFIT PENSION PLAN - continued

Deferred Outflows of Resources and Deferred Inflows of Resources - At December 31, 2023 and 2022, District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

December 31, 2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 9,128	$ 15
Net difference between projected and annual actual earnings on investments	6,413	0
Changes of assumptions	11,638	0
Changes in proportion	25,274	4,472
Total	$ 52,453	$ 4,487

December 31, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 4,188	$ 198
Net difference between projected and annual actual earnings on investments	9,373	0
Changes of assumptions	17,700	0
Changes in proportion	40,493	818
Total	$ 71,754	$ 1,016

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

Year ended December 31,	
2024	$ 23,149
2025	12,765
2026	11,164
2027	871
2028	17
Thereafter	0

Through December 31, 2023 and as of the date of the report the above amounts have not changed for December 31, 2023.

NOTE D – OTHER POSTEMPLOYMENT BENEFIT PLAN

Plan Description – District participates in a multiple-employer defined benefit other postemployment benefit (OPEB) plan (the Plan) which is administered by the Kansas Public Employees Retirement System (KPERS). The Plan provides long-term disability benefits and a life insurance benefit for disabled members to KPERS members, as provided by K.S.A. 74-04927. The Plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. However because the trust's assets are used to pay employee benefits other than OPEB, the trust does not meet the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Accordingly, the Plan is considered to be administered on a pay-as-you-go basis.

Benefits - Benefits are established by statute and may be amended by the KPERS Board of Trustees. The Plan provides long-term disability benefits equal to 60 percent (prior to January 1, 2006, 66 2/3 percent) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver of premium provision.

The monthly long-term disability benefit is 60 percent of the Member's monthly compensation, with a minimum of $100 and a maximum of $5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, workers compensation benefits, other disability from any other sources by reason of employment, and earnings from any form of employment.

If disability begins before age, benefits are payable while the disability continues until the member's 65th birthday or retirement date, whichever occurs first. If the disability begins after age 60, benefits are payable while the disability continues, for a period of five years or until the member retires, whichever occurs first. Benefit payments for disabilities caused or contributed to by substance abuse or non-biologically based mental illnesses art limited the shorter of the term of disability or 24 months per lifetime, whichever is less.

The death benefit paid to beneficiaries of disabled members is 150% of the greater of 1) the member's annual rate compensation at the time of the disability, or 2) the members previous 12 months of compensation at the time of the last date on payroll. If the member has been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price index, less one percentage point, to compute the death benefit. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual insurance policy.

Covered Employees – District has the following employees covered by the Plan as of December 31, 2023:

	2023	2022
Inactive employees or beneficiaries currently receiving benefit payments	0	0
Active employees	2	2
Total	2	2

NOTE D – OTHER POSTEMPLOYMENT BENEFIT PLAN - continued

Total OPEB Liability – District total OPEB liability of $2,063 reported as of December 30, 2023 was measured as of June 30, 2023 (the measurement date), and was determined by an actuarial valuation as of June 30, 2023 which was rolled forward to December 31, 2023 using the following actuarial assumptions:

	2023	2022
Price inflation	2.75%	2.75%
Wage inflation	3.50%	3.50%
Salary increases, including wage increases	3.50% to 11.50%	3.50% to 11.50%
Discount rate (based on the 20 year municipal bond rate with an average training of AA/Aa or better, obtained from municipal Bond index	3.65%	3.54%

Mortality rates used for the death benefits were based on the RP-2000 Healthy Annuitant Mortality Table for Males and Females, adjusted for generational mortality improvement using Scale AA. Mortality rates used for the disability benefits were based on the RP-2000 Disabled Life Table with generational mortality improvement using Scale AA.

The long-term disability incidence and claim termination rate assumptions that determined the total OPEB liability as of June 30, 2023 were based on the results of an actuarial experience study conducted for the three years ending December 31, 2015 for the period January 1, 2013 – December 31, 2015.

Changes in Total OPEB Liability

	2023	2022
Balance beginning of year	$ 2,063	$ 3,087
Changes for the year		
Service Cost	246	393
Interest	82	75
Changes in benefits terms	0	0
Differences between actual and expected experience	(62)	(304)
Changes in assumptions or other inputs	(19)	(1,188)
Benefits payments	0	0
Net Changes	247	(1,024)
Balance end of the year	$ 2,310	$ 2,063

Sensitivity Analysis - The following presents the District's total OPEB liability calculated using the discount rate of 3.65% and 3.54% as of December 31 2023 and 2022 respectively, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (2.65%)	Discount rate (3.65%)	1% Increase (4.65%)
Total OPEB liability	$ 2,499	$ 2,310	$ 2,126

December 31, 2022

	1% Decrease (2.54%)	Discount rate (3.54%)	1% Increase (4.54%)
Total OPEB liability	$ 2,239	$ 2,063	$ 1,891

NOTE D – OTHER POSTEMPLOYMENT BENEFIT PLAN - continued

OPEB Expense - For the year ended December 31, 2023 and 2022, the District recognized OPEB expenses of $1,063 and $605 respectively which includes the changes in the total OPEB liability, and the amortization of deferred outflows or resources and deferred inflows of resources for the current period.

Deferred Outflows of Resources and Deferred Inflows of Resources - At December 31, 2023, the District reported deferred inflows of resources related to OPEB from the following sources:

December 31, 2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 0	$ (627)
Net difference between projected and annual actual earnings on investments	0	0
Changes of assumptions	13	(969)
Changes in proportion	0	0
Total	$ 13	$ (1,596)

December 31, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 0	$ (648)
Net difference between projected and annual actual earnings on investments	0	0
Changes of assumptions	15	(1,070)
Changes in proportion	0	0
Total	$ 15	$ (1,718)

Year ended December 31:	
2023	$ (201)
2024	(201)
2025	(201)
2026	(201)
2027	(201)
Thereafter	(578)

NOTE E. - OTHER INFORMATION

1. Budgetary Information

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

NOTE E. - OTHER INFORMATION - continued

2. Compliance with Kansas Statutes

Management is not aware of any statutory violations for the years ended December 31, 2023 and 2022.

3. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. During the last three years, claim settlements have not exceeded insurance coverage.

4. Concentrations of Risk

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

5. Related Party Transactions

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

6. Subsequent events

Management has evaluated events through June 17, 2024, the date the financial statements were available to be issued. The District is in the process of building a pump house for an estimated cost of $63,714 and purchasing a pump at a cost of $59,400. As of December 31, 2023, the District has paid $18,523 for the pump house. The remaining costs will be recognized in 2024.

SUPPLEMENTARY INFORMATION

Rural Water District Number 1
Franklin County, Kansas

Schedule 1

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
COMPARED TO BUDGET
For the Year Ended December 31, 2023

	Budget	Actual	Variance Over (Under)
Operating Revenues			
Water Sales	$ 518,889	$ 501,751	$ (17,138)
Late Fees	12,000	12,681	681
Capital Improvement Revenue	112,248	107,592	(4,656)
Total Operating Revenues	643,137	622,024	(21,113)
Operating Expenses			
Water Purchased	216,500	206,677	(9,823)
Clean Drinking Water Fee	1,500	1,397	(103)
Vehicle Expense	10,000	10,921	921
Utilities	16,600	14,433	(2,167)
Trash	750	850	100
Insurance and Bonds	15,750	14,807	(943)
Tests	1,500	1,174	(326)
One Call Locations	350	553	203
Professional Fees	10,000	8,734	(1,266)
Feasibility Engineering Studies	1,200	600	(600)
Mowing	0	1,100	1,100
Mileage	500	121	(379)
Memberships	1,200	1,194	(6)
Board Reimbursement	5,400	4,455	(945)
Training	500	1,373	873
Repairs and Maintenance	35,000	20,109	(14,891)
Depreciation	150,000	107,997	(42,003)
Salaries and Payroll Taxes	154,202	164,105	9,903
Pension	0	9,348	9,348
Health Insurance	34,187	22,160	(12,027)
Supplies	5,000	4,715	(285)
Postage	4,900	5,412	512
Uniforms	500	241	(259)
Website	450	457	7
Internet	960	959	(1)
Materials	7,400	16,054	8,654
Office Rent	3,600	3,630	30
Other	1,100	437	(663)
Telephone	4,220	2,150	(2,070)
Bad debts	300	0	(300)
Total Operating Expenses	683,569	626,163	(57,406)
Total Operating Income (Loss)	(40,432)	(4,139)	36,293

See Independent Auditor's Report.

Rural Water District Number 1
Franklin County, Kansas

Schedule 1

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
COMPARED TO BUDGET
For the Year Ended December 31, 2023

	Budget	Actual	Variance Over (Under)
Non-Operating Revenues (Expenses)			
Interest Income	$ 5,000	$ 25,308	$ 20,308
Miscellaneous	1,000	19,624	18,624
Total Non-Operating Income (Loss)	6,000	44,932	38,932
Income (Loss) Before Capital Contributions	(34,432)	40,793	75,225
Capital Contributions			
Benefit Units	0	42,000	42,000
Net Income (Loss)	$ (34,432)	$ 82,793	$ 117,225

See Independent Auditor's Report.

Rural Water District Number 1
Franklin County, Kansas

Schedule 1

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
COMPARED TO BUDGET
For the Year Ended December 31, 2022

	Budget	Actual	Variance Over (Under)
Operating Revenues			
Water Sales	$ 431,370	$ 459,083	$ 27,713
Late Fees	12,000	10,709	(1,291)
Capital Improvement Revenue	105,840	106,632	792
Total Operating Revenues	549,210	576,424	27,214
Operating Expenses			
Water Purchased	193,500	205,479	11,979
Clean Drinking Water Fee	1,500	1,455	(45)
Vehicle Expense	10,000	9,913	(87)
Utilities	13,600	15,232	1,632
Trash	700	750	50
Insurance and Bonds	14,900	14,062	(838)
Tests	1,500	988	(512)
One Call Locations	350	275	(75)
Professional Fees	10,000	11,363	1,363
Feasibility Engineering Studies	1,200	700	(500)
Mileage	500	254	(246)
Memberships	1,000	1,168	168
Board Reimbursement	5,400	4,185	(1,215)
Training	500	1,515	1,015
Repairs and Maintenance	34,000	25,050	(8,950)
Depreciation	100,000	105,730	5,730
Salaries and Payroll Taxes	151,308	152,225	917
Pension	0	19,642	19,642
Health Insurance	49,347	42,492	(6,855)
Supplies	5,000	3,806	(1,194)
Postage	4,900	4,753	(147)
Uniforms	500	364	(136)
Website	450	512	62
Internet	960	959	(1)
Materials	5,000	14,397	9,397
Office Rent	4,200	3,880	(320)
Bank Charges	0	0	0
Other	1,100	377	(723)
Telephone	3,500	2,983	(517)
Bad debts	300	0	(300)
Total Operating Expenses	615,215	644,509	29,294
Total Operating Income (Loss)	(66,005)	(68,085)	(2,080)

See Independent Auditor's Report.

Rural Water District Number 1
Franklin County, Kansas

Schedule 1

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
COMPARED TO BUDGET
For the Year Ended December 31, 2022

	Budget	Actual	Variance Over (Under)
Non-Operating Revenues (Expenses)			
Interest Income	$ 5,000	$ 3,950	$ (1,050)
Wellsville Annex	100,000	122,242	22,242
Miscellaneous	1,000	9,125	8,125
Total Non-Operating Income (Loss)	106,000	135,317	29,317
Income (Loss) Before Capital Contributions	39,995	67,232	27,237
Capital Contributions			
Benefit Units	0	63,000	63,000
Net Income (Loss)	$ 39,995	$ 130,232	$ 90,237

See Independent Auditor's Report.