# PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 25

## FINANCIAL STATEMENTS

**Year Ending December 31, 2024**

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PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 25

Financial Statements
Year ending December 31, 2024

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# INDEPENDENT AUDITOR'S REPORT

Board of Directors
Public Wholesale Water Supply District No. 25

## Opinions

We have audited the accompanying financial statements of the business-type activities of Public Wholesale Water Supply District No. 25, Douglas County, Kansas (the District), as of and for the year ending December 31, 2024 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of as of December 31, 2024 and the respective changes in financial position and cash flows thereof for the year ending 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 (GAAS). 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 the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 amount and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

**Other Matters**
*Required Supplementary Information*

The District has omitted the management discussion and analysis, the schedule of the District's proportionate share of the net pension liability, and the schedule of the District's contributions to KPERS that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

April 15, 2025

PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 25

STATEMENT OF NET POSITION - PROPRIETARY FUND
December 31, 2024

| | |
|---|---|
| Assets | |
| Current assets: | |
| Cash and cash equivalents | $ 132,539 |
| Deposit with state treasurer | 128,250 |
| Total current assets | 260,789 |
| Noncurrent assets: | |
| Capital assets, nondepreciable | |
| Land | 764,127 |
| Capital assets, depreciable | 22,536,744 |
| Less: accumulated depreciation | [2,984,021] |
| Total noncurrent assets | 20,316,850 |
| Total assets | 20,577,639 |
| Deferred outflows of resources | |
| Pensions | 75,480 |
| Total assets and deferred outflows of resources | $ 20,653,119 |
| Liabilities | |
| Current liabilities: | |
| Accounts payable | $ 156,203 |
| Accrued liabilities | 11,831 |
| Accrued interest | 78,067 |
| Current portion of bonds payable | 331,498 |
| Total current liabilities | 577,599 |
| Noncurrent liabilities: | |
| Bonds payable, less current portion | 15,989,723 |
| KPERS net pension liability | 96,716 |
| Total noncurrent liabilities | 16,086,439 |
| Total liabilities | $ 16,664,038 |
| Net Position: | |
| Net investment in capital assets | $ 3,995,629 |
| Unrestricted | [6,548] |
| Total net position | $ 3,989,081 |

The notes to the basic financial statements are an integral part of this statement.

PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 25

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
CHANGES IN NET POSITION - PROPRIETARY FUND
For the Year Ended December 31, 2024

| | |
|---|---|
| Operating revenues | |
| Water sales | $ 1,091,815 |
| Total operating revenues | 1,091,815 |
| Operating expenses | |
| Wages | 265,745 |
| Taxes and health insurance | 66,358 |
| KPERS retirement | 46,889 |
| Chemicals and lime | 316,805 |
| Equipment | 4,081 |
| Insurance | 38,990 |
| Legal and professional | 39,003 |
| Membership and dues | 954 |
| Permits | 650 |
| Real estate taxes | 119 |
| Repairs and maintenance | 196,103 |
| Supplies | 18,272 |
| Testing and related expenses | 4,473 |
| Utilities | 139,928 |
| Miscellaneous | 13,256 |
| Depreciation expense | 578,884 |
| Total operating expenses | 1,730,510 |
| Operating income [loss] | [638,695] |
| Nonoperating revenues [expenses] | |
| Contributed capital | 756,000 |
| Investment income | 12,644 |
| Gain [loss] on sale of assets | 3,412 |
| Other income | 100 |
| Interest expense | [401,722] |
| Total nonoperating revenues [expenses] | 370,434 |
| Change in net position | [268,261] |
| Net position - beginning of year | 4,257,342 |
| Net position - end of year | $ 3,989,081 |

The notes to the basic financial statements are an integral part of this statement.

PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 25

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended December 31, 2024

| | |
|---|---|
| Cash flows from operating activities | |
| Cash received from customers | $ 1,091,815 |
| Other income | 100 |
| Cash paid to suppliers of goods or services | [616,431] |
| Cash paid to employees for services | [345,925] |
| Net cash provided by [used in] operating activities | 129,559 |
| Cash flows from capital and related financing activities | |
| Contributed capital | 756,000 |
| Deposit with state treasurer | [128,250] |
| Purchase and construction of capital assets | [6,040] |
| Principal repayment | [323,677] |
| Interest paid | [401,744] |
| Net cash provided by [used in] capital and related financing activities | [103,711] |
| Cash flows from investing activities | |
| Interest received | 12,644 |
| Net cash provided by [used in] investing activities | 12,644 |
| Net increase [decrease] in cash and cash equivalents | 38,492 |
| Cash and cash equivalents, January 1 | 94,047 |
| Cash and cash equivalents, December 31 | $ 132,539 |
| Reconciliation of operating income [loss] to net cash provided [used in] operating activities | |
| Operating income [loss] | $ [638,695] |
| Adjustments to reconcile operating income [loss] to net cash provided by [used in] operating activities | |
| Depreciation expense | 578,884 |
| Non-operating receipts | 100 |
| [Increase] decrease in deferred outflows - pensions | [75,480] |
| Increase [decrease] in accounts payable | 156,203 |
| Increase [decrease] in accrued liabilities | 11,831 |
| Increase [decrease] in net pension liability | 96,716 |
| Net cash provided by [used in] operating activities | $ 129,559 |

The notes to the basic financial statements are an integral part of this statement.

PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 25

NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2024

## Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

Public Wholesale Water Supply District No. 25 (the District) is a wholesale water utility that provides wholesale domestic water service. The District was organized under authority of State Law, K.S.A. 19-3501 et. seq. Its purpose is to develop and ultimately operate a public water supply system that can deliver water to wholesale members. Its members currently consist of 2 entities: Rural Water District No. 5, Douglas County, and Rural Water District No. 5, Osage County. These Districts together serve an area located south and west of the City of Lawrence, Kansas. Collectively, they provide drinking water to approximately 10,000 persons, including farmers, ranchers, homeowners, and small businesses throughout their respective districts.

### B. Government-wide and Fund Financial Statements

The statement of net position and the statement of revenues, expenses, and changes in net position report information on the District as a whole. All activities of the District are business-type activities operated as a single proprietary fund.

### C. Measurement Focus, Basis of Accounting and Basis of Presentation

The District's financials are prepared in accordance with generally accepted accounting principles (GAAP) for an enterprise fund using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. Operating revenues and expenses generally result from providing services. All other revenues and expenses not meeting this definition are nonoperating. The statement of cash flows provides information about how the District meets the cash flow needs of its activities.

### D. Cash and Cash Equivalents

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments (including certificates of deposits) with original maturities of twelve months or less from the date of acquisition.

The District invests its unrestricted cash in a financial institution in northeast Kansas.

### E. Capital Assets

In early 2012, the District was granted a “direct loan” from the USDA and financing was reserved for a public water supply system. The project was substantially completed in October 2019 and the costs moved from construction in process to the appropriate asset category.

Property, plant and equipment of the District are depreciated using the straight-line method over the following useful lives:

| | Capitalization Policy | Depreciation Method | Useful Life |
|---|---|---|---|
| Wells | $ 5,000 | Straight Line | 10 to 40 years |
| Distribution Lines | $ 5,000 | Straight Line | 10 to 40 years |
| Meters | $ 5,000 | Straight Line | 10 years |
| Structures | $ 5,000 | Straight Line | 40 years |
| Equipment | $ 5,000 | Straight Line | 10 to 30 years |
| Plumbing | $ 5,000 | Straight Line | 3 to 10 years |
| Purification | $ 5,000 | Straight Line | 10 to 20 years |
| Furniture & Fixtures | $ 5,000 | Straight Line | 3 to 10 years |
| Miscellaneous | $ 5,000 | Straight Line | 3 to 10 years |

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Capital Contributions from Founding Members

In the current and prior years, three (3) rural water districts made capital contributions to the District. The total contributions of each District through December 31, 2024, were as follows:

| | |
|---|---|
| Rural Water District No. 2, Douglas County | $ 102,000 |
| Rural Water District No. 5, Douglas County | 2,279,764 |
| Rural Water District No. 5, Osage County | 2,279,764 |
| Total Contributions | $4,661,528 |

G. Net Position

The District's net position is displayed in three components as follows:

*Net Investment in Capital Assets* - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted* - This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislations.

*Unrestricted* - This consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Income Taxes

The District is considered a municipality and is therefore a tax-exempt entity and is not subject to income taxes at either the federal or state level.

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes 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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

## Note 2. DETAILED NOTES ON ALL FUNDS

### A. Cash and Cash Equivalents

Cash and cash equivalents consist of the following as of December 31, 2024:

| | | |
|---|---|---|
| Checking | $ | 48,742 |
| Money Market | | 83,797 |
| Total Cash and Cash Equivalents | $ | 132,539 |

### B. 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.

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

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

*Custodial credit risk - deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated ‘peak periods’ when required coverage is 50%. All deposits were legally secured as of December 31, 2024.

As of December 31, 2024 the District's carrying amount of deposits was $132,539 and the bank balance was $141,694. The bank balance was held in one bank resulting in a concentration of credit risk. The entire bank balance was covered by federal depository insurance.

Note 2. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

Capital asset activity for the year ended December 31, 2024 was as follows:

| | Balance January 1, 2024 | Additions | Deletions | Balance December 31, 2024 |
|---|---|---|---|---|
| Nondepreciable assets: | | | | |
| Land | $ 764,127 | $ - | $ - | $ 764,127 |
| Depreciable assets: | | | | |
| Structures | 22,330,181 | - | - | 22,330,181 |
| Equipment | 200,523 | 6,040 | - | 206,563 |
| Total capital assets | 23,294,831 | 6,040 | - | 23,300,871 |
| Less accumulated depreciation for: | | | | |
| Structures | 2,369,764 | 558,731 | - | 2,928,495 |
| Equipment | 35,374 | 20,152 | - | 55,526 |
| Total accumulated depreciation | 2,405,138 | 578,883 | - | 2,984,021 |
| Capital assets, net | $20,889,693 | $ [572,843] | $ - | $20,316,850 |

Current year depreciation expense was $578,883.

D. Long-Term Liabilities

The following table details changes in the District's long-term obligations during the year:

| | Balance January 1, 2024 | Additions | Reductions | Balance December 31, 2024 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Water System Revenue Bonds | | | | | |
| Series 2016 A | $ 5,434,509 | $ - | $110,344 | $ 5,324,165 | $112,965 |
| Series 2016 B | 7,308,131 | - | 148,388 | 7,159,743 | 151,911 |
| Series 2020 A | 2,954,250 | - | 47,008 | 2,907,242 | 48,301 |
| Series 2020 B | 948,007 | - | 17,936 | 930,071 | 18,321 |
| Total | $16,644,897 | $ - | $323,676 | $ 16,321,221 | $331,498 |

Long-term obligations of the District consist of the following as of December 31, 2024:

Note 2. DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-Term Liabilities (Continued)

| Revenue Bonds | Interest Rate | Amount Outstanding | Original Amount | Date of Issue | Final Maturity |
|---|---|---|---|---|---|
| Series 2016 A | 2.375% | $ 5,324,165 | $ 5,949,000 | 12/28/2016 | 12/28/2056 |
| Series 2016 B | 2.375% | 7,159,743 | 8,000,000 | 12/28/2016 | 12/28/2056 |
| Series 2020 A | 2.750% | 2,907,242 | 3,000,000 | 1/27/2020 | 1/27/2060 |
| Series 2020 B | 1.875% | 930,071 | 1,000,000 | 12/28/2020 | 12/28/2060 |
| Total Revenue Bonds | | $16,321,221 | $17,949,000 | | |

Future revenue bond maturities as of December 31, 2024 are as follows:

| Year Ending December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 331,498 | $ 394,100 | $ 725,598 |
| 2026 | 339,461 | 385,918 | 725,379 |
| 2027 | 347,616 | 377,763 | 725,379 |
| 2028 | 355,923 | 369,456 | 725,379 |
| 2029 | 364,521 | 361,062 | 725,583 |
| 2030 - 2034 | 1,958,286 | 1,668,798 | 3,627,084 |
| 2035 - 2039 | 2,205,373 | 1,421,691 | 3,627,064 |
| 2040 - 2044 | 2,483,809 | 1,143,235 | 3,627,044 |
| 2045 - 2049 | 2,797,684 | 829,434 | 3,627,118 |
| 2050 - 2054 | 3,151,433 | 475,532 | 3,626,965 |
| 2055 - 2059 | 1,825,771 | 117,054 | 1,942,825 |
| 2060 | 159,846 | 4,088 | 163,934 |
| | $ 16,321,221 | $ 7,548,131 | $ 23,869,352 |

E. Net Investment in Capital Assets

The following represents the net position of the District reported as net investment in capital assets as of December 31, 2024:

| | |
|---|---|
| Capital assets, net of depreciation | $ 20,316,850 |
| Revenue bonds outstanding at year end | [16,321,221] |
| Net investment in capital assets | $ 3,995,629 |

Note 3. OTHER INFORMATION

A. Commitments and Contingencies Litigation

The District's management and legal counsel anticipate that the potential claims against the District not covered by insurance, if any, would not materially affect the financial position of the District.

## Note 3. OTHER INFORMATION

### B. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; business interruptions; errors and omissions and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded the commercial coverage in any of the three preceding years. There have not been significant reductions in coverage from prior years.

### C. Defined Benefit Pension Plan

*Description of Pension Plan*. The District 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 District 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.

*Benefits.* Benefits are established by statute and may only be changed by the State Legislature. Members (except Police and Firemen) 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. His or her 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.

Note 3. OTHER INFORMATION

C. Defined Benefit Pension Plan (Continued)

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. 74-4922.

*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 for the fiscal year ended June 30, 2024.

The actuarially determined employer contribution rates (not including the 1.00% contribution rate for the Death and Disability Program) and the statutory contribution rates are as follows:

| | Actuarial Employer Rate | Statutory Employer Capped Rate |
|---|---|---|
| Local employees | 9.26% | 9.26% |

Member contribution rates as a percentage of eligible compensation for the KPERS fiscal year 2024 is 6.00% for Local 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 Firemen
- Judges

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages 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.

Note 3. OTHER INFORMATION

C. Defined Benefit Pension Plan (Continued)

The allocation percentages for the District's share of the collective pension amounts as of December 31, 2024, are 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, 2024.

The contributions used exclude contributions made for prior service, excess benefits and irregular payments. As of June 30, 2024, the District's proportion for the Local employees group was 0.0046%, which was an increase of .0046% over its proportion measured as of June 30,2023.

*Net Pension Liability.* As of December 31, 2024, the District reported a liability of $96,716 for its total proportionate share of the net pension liability for the Local group.

*Actuarial Assumptions.* The total pension liability was determined by an actuarial valuation as of December 31, 2024, which was rolled forward to June 30, 2024, using the following actuarial assumptions:

| Assumptions | Rate |
|---|---|
| Price inflation | 2.75% |
| Wage inflation | 3.50% |
| Salary increases, including wage increases | 3.50% to 15.00%, including inflation |
| Long-term rate of return, net of investment expense, and including price inflation | 7.00% |

Mortality rates were based on the PUB 2010 Mortality Tables, with age setbacks and age set forwards based on different membership groups. Future mortality improvements are anticipated using Scale MP-2021.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study, dated January 29, 2024, as provided by KPERS' investment consultant, are summarized in the following table:

| Asset | Long-Term Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Non-U.S. Equities | 43.00% | 8.20% |
| Core Fixed Income | 13.00% | 2.20% |
| Yield Driven | 12.00% | 5.30% |
| Infrastructure | 3.00% | 6.80% |
| Real Estate | 15.00% | 5.70% |
| Alternatives | 11.00% | 12.00% |
| Short Term Investments | 3.00% | 0.30% |
| | 100.00% | |

Note 3. OTHER INFORMATION

C. Defined Benefit Pension Plan (Continued)

*Discount Rate.* The discount rate used to measure the total pension liability was 7.00%. 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. Employers contribute the full actuarial determined rate for Police & Firemen, and Judges. Future employer contribution rates were also modeled for Police & Firemen and Judges, 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.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

| 1% Decrease (6.00%) | Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|
| $140,019 | $96,716 | $60,527 |

*Pension Expense.* For the year ending December 31, 2024, the District recognized Local pension expense of $30,569, 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.

*Deferred Outflows of Resources and Deferred Inflows of Resources*. As of December 31, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions for Local group from the following sources:

| | Deferred outflows of resources | Deferred inflows of resources |
|---|---|---|
| Differences between actual and expected experience | $ 11,765 | $ - |
| Changes of assumptions | 5,846 | - |
| Differences between projected and actual earnings on investments | 592 | - |
| Changes in proportion | 57,277 | - |
| Total | $ 75,480 | $ - |

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

Note 3. OTHER INFORMATION

C. Defined Benefit Pension Plan (Continued)

| Year ended December 31, | Deferred [Inflows] Outflows Amount |
|---|---|
| 2025 | $ 19,839 |
| 2026 | 24,760 |
| 2027 | 16,878 |
| 2028 | 14,003 |
| 2029 | - |
| Total | $ 75,480 |

D. Contracts

The District has water rights from 3 well fields to the east of Lawrence adjacent to the Kansas River. These water rights grant the District 2,074 acre-feet of water annually to treat and sell to member entities. The District also has water purchase contracts with Rural Water District No. 5, Douglas County and Rural Water District No. 5, Osage County, that are 40-year contracts for these member entities to purchase water from the District. These contracts allow both entities to purchase up to 1 million gallons per day.

The District will produce 100% of its water supply from 3 well fields and a water treatment plant owned by the District. These facilities lie in the Kansas River Valley just to the east of Lawrence, Kansas. There are no other suppliers of water available to the District, although each of the member entities has backup sources of water.

E. Accrued Liabilities

Accrued liabilities consisted of accrued personnel and related costs as of December 31, 2024.