SSC CPAs, P.A.

LEAVENWORTH WATERWORKS BOARD

FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2021 AND 2020

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Independent Auditor's Report

To the Board of Directors
Leavenworth Waterworks Board
Leavenworth, Kansas

Opinion
We have audited the accompanying financial statements of Leavenworth Waterworks Board, Leavenworth, Kansas, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the 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 financial position of Leavenworth Waterworks Board, Leavenworth, Kansas, as of December 31, 2021 and 2020, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
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 Leavenworth Waterworks Board, Leavenworth, Kansas, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility 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 *Kansas Municipal Audit and Accounting Guide* (KMAAG) 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 Leavenworth Waterworks Board, Leavenworth, 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 Responsibility
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 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 Leavenworth Waterworks Board, Leavenworth, 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 Leavenworth Waterworks Board, Leavenworth, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 8, and the schedules of employer's required contributions and employer's proportionate share of the net pension liability on page 31, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information on pages 32 - 34 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary 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. Such information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional information on pages 32 – 34 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

SSC CPAs, P.A.

SSC CPAs, P.A.
Topeka, Kansas

July 20, 2022

LEAVENWORTH WATERWORKS BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Leavenworth Waterworks Board's ("the Board" or "the Waterworks") financial performance provides a narrative overview of the Board's financial activities for the fiscal year ended December 31, 2021. Please read it in conjunction with the accompanying financial statements which begin on page 9.

HISTORY AND OVERVIEW OF LEAVENWORTH WATERWORKS

The Leavenworth City and Fort Leavenworth Water Company, the "Water Company" was incorporated on March 16, 1881. In 1882, the Water Company began to construct and maintain a water system, that pumped and treated water from the Missouri River into a distribution system and reservoir.
The City of Leavenworth purchased the system from the Water Company and operated the water system from January 1921 to 1937. In 1932 Fort Leavenworth constructed its own water treatment plant and took over operation of the distribution system within the Fort.

In 1937, frustrated citizens voted to establish a governing board separate from the City Commission and a water supply utility that would function independently from the City public works services. The Leavenworth Waterworks Board and the Leavenworth Water Department operate today, as established in 1930 and pursuant to K.S.A 13-2414 through K.S.A 13-2429.

In 1938, the original water treatment plant was upgraded with a four-million gallon per day (MGD) capacity water-filtration plant and a high-service pumping station. Later upgrades expanded the capacity to 6 MGD. With additional growth, a second water treatment plant was constructed in 1978. The water source for the South Plant is alluvial ground water pumped from ten wells, including a horizontal collector well completed in 2021. The rated capacity of the South Plant is 6 MGD.

Today, the Board operates two water treatment plants, booster station, water-storage facility, and 191 miles of distribution system. The Water Company provides safe drinking water to the citizens of Leavenworth and seven rural water districts. The total number of taps served by the Water Company is 12,000 in the water-service area.

The Board continuously investigates ways to improve and reduce costs. Ever-changing water treatment regulations will impact both operating and capital improvement cost. Currently, several construction projects are underway.

The Horizontal Collector Well to serve the South Plant was completed in September of 2021. Although designed as a 7 MGD well, the tested safe yield capacity turned out to be 11.5 MGD. The project was funded by the Kansas Public Water Supply Loan Fund through the Kansas Department of Health and Environment with the first principal and interest payment due August of 2021. The design of an additional 4 MG water storage tank for the distribution system was completed at the end of 2021 and submitted to KDHE for a construction permit. A KPWSLF loan has been approved to fund the construction of this tank and a loan agreement with KDHE will be forthcoming. The relocation of a portion of the raw water transmission line serving the South Plant, to avoid flood damage, was completed in 2021. The annual replacement of distribution water mains also continues.

Fort Leavenworth continues to purchase its water supply from the Waterworks through an agreement made until July 2028. However, they are in the process of returning to a self-supplied system through treatment

system upgrades. Until they do so, the Fort will continue to be the largest source of revenue for the Waterworks.

Like the rest of the world, the Waterworks adjusted to the effects of the COVID-19 pandemic. Although a few employees suffered mild cases, the operation of the utility never faltered. While the expected sale of water was moderately reduced due to decreased economic activity, control of expenditures kept the net income for the year near expected levels. As most customers continued to promptly pay for service, no cash flow issues were encountered. The utility continues to operate CDC guidance while fulfilling its mission and making system upgrades.

ADMINISTRATION AND OPERATIONS

The Board employs 36 staff members who are involved with water treatment, distribution, and administration. These employees all work efficiently to meet the Board's goals of quality, abundant drinking water, friendly customer service, and economical water rates. Day-to-day operations are coordinated by the Manager of Production and Distribution and the Manager of Collections and Accounts.

Administrative staff members oversee all billing and collections related to the sale of water to customers based on monthly meter reads of individual customers. Through a Joint Operations agreement with the City of Leavenworth, the administrative staff also provides billing and collection services to the city for their wastewater and solid waste services.

North Plant

In 1937 the original water treatment plant was replaced with a four-million gallon per day capacity water-filtration plant and a high-service pumping station. Pilot Knob Reservoir was also covered to protect the water quality. Two large settling basins from the original treatment plant were retained and are currently used today. The source of supply was (and continues to be) a direct diversion from the Missouri River. Since 1938, raw water has been diverted from the west bank of the Missouri River about two blocks south of the water treatment plant (at the western extent of Dakota Street). Treated water from the plant is pumped into the water-transmission and distribution system and into Pilot Knob Reservoir.

Over the years, significant capital improvements have been made to the North Water Treatment Plant in order to improve water quality and increase capacity. Today, the rated capacity of the North Plant is 6 MGD with a single day peak capacity of 5.5 MGD.

South Plant

In 1977, it was determined that in order to meet increasing water demands and replace aging North Plant, another treatment plant was necessary. Construction of the South Plant started in 1977 and was completed in the next year. The water source for this facility is alluvial ground water pumped from nine different wells. Currently its rated capacity is also approximately 6 MGD with a single-day peak capacity of 5.5 MGD. The South Plant has been designed for expansion up to 12 MGD.

Distribution System

The Board's water distribution system includes 194.5 miles of raw water transmission, treated water transmission, and distribution mains, the size of these mains range from 2 to 24 inches. The system has approximately 11,000 customer meters and one booster pump station. In order to operate and maintain the

Board's infrastructure, the staff maintains an inventory of water distribution materials held for the replacement of aging infrastructure.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and supplementary information.

The notes to the financial statements provide additional information and more detailed data about some of the information reported in the basic financial statements.

One of the most important questions asked about the Board's finances is, "Is the Board as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the Board as a whole and about its activities in a way 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 the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash was received or paid.

These two statements report the Board's net position and changes in it. You can think of the Board's net position - the difference between assets and liabilities - as one way to measure the Board's financial health, or financial position. Over time, increases or decreases in the Board's net position are one indicator of whether its financial health is improving or deteriorating.

The Board operates as a proprietary fund or business enterprise. Revenues consist of fees charged to customers for services provided and expenses consist of the cost incurred to provide those services.

ANALYSIS OF THE FINANCIAL STATEMENTS

As of December 31, 2021, the Board's net position at year end increased $1,664,855, to result in a balance of $46,971,294.

Table 1
Waterworks Board
Condensed Statement of Net Position

	Proprietary Activities		Total Percentage Change
	2020	**2021**	**2020-2021**
Current and other assets	$ 11,117,467	$ 11,462,301	3.10 %
Certificates of deposit	1,799,703	1,808,568	0.49 %
Capital assets	39,097,147	44,109,595	12.82 %
Total assets	**52,014,317**	**57,380,464**	**10.32 %**
Deferred outflows of resources	575,575	464,084	(19.37)%
Total deferred outflows of resources	**575,575**	**464,084**	**(19.37)%**
Current liabilities	1,879,019	2,584,093	37.52 %
Long-term liabilities	5,269,379	7,687,814	45.90 %
Total liabilities	**7,148,398**	**10,271,907**	**43.70 %**
Deferred inflows of resources	135,056	601,347	345.26 %
Total deferred inflows of resources	**135,056**	**601,347**	**345.26 %**
Net position:			
Net investment in capital assets	35,769,322	37,410,981	4.59 %
Unrestricted	9,537,116	9,560,313	0.24 %
Total net position	**$ 45,306,438**	**$ 46,971,294**	**3.67 %**

Current and Other Assets - Total current and other assets increased approximately $0.3 million. The majority of this increase is attributable to an increase in cash on hand.

Capital Assets - Capital assets, net of accumulated depreciation increased approximately $5.0 million as system improvements were more than current year depreciation expense.

Liabilities - Current and other liabilities increased from the prior year by $0.7 million. The majority of this increase is attributable to an increase in current loans payable and accounts payable.

Long-term liabilities – Total long-term liabilities increased by approximately $2.4 million due to completion of a construction project and loan with KDHE.

Net Position – As noted above, net position increased by approximately $1.7 million from the prior year.

Table 2
Waterworks Board
Condensed Statement of Revenues, Expenses and Changes in Net Position

	Proprietary Funds		Total Percentage Change
	2020	**2021**	**2020-2021**
Revenues:			
City services billing	$ 304,899	$ 307,104	0.72 %
Water sales	7,694,752	7,588,299	(1.38)%
Reconnect and service fees	76,676	132,110	72.30 %
Plumbing supply sales	6,824	4,237	(37.91)%
Non-operating	247,517	592,084	139.21 %
Total revenues	**8,330,668**	**8,623,834**	**3.52 %**
Expenses:			
Production	3,168,494	3,015,982	(4.81)%
Distribution & administration	2,324,529	2,412,840	3.80 %
Depreciation	1,378,017	1,469,928	6.67 %
Interest	54,858	149,243	100.00 %
Non-operating	8,249	833	(89.90)%
Total expenses	**6,934,147**	**7,048,826**	**1.65 %**
Net Income before capital contributions	**$ 1,396,521**	**$ 1,575,008**	**12.78 %**

Revenues - Overall, revenues increased by approximately $293 thousand from the prior year. The increase is mainly attributed to the FEMA flood revenue.

Expenses - Expenses increased from the prior year by approximately $115 thousand.

Capital Contributions - Within the year, the Board recognized $89,847 in capital contributions. These funds were used for meter upgrades, new services, main extensions, and system development/improvement fees.

Please refer to Note 6 for more detailed information regarding capital asset activity during the year ended December 31, 2021.

ECONOMIC FACTORS

The Board continuously investigates ways to improve and reduce costs. Ever-changing water treatment regulations will impact both operating and capital improvement cost. Currently, several construction projects are underway.

CONTACTING THE BOARD'S FINANCIAL MANAGEMENT

This report is intended to provide citizens, customers, and creditors with a general overview of the Board's finances and to demonstrate the Board's accountability for the revenues received and funds spent. Questions about the report, and requests for additional information, should be directed to the Chair of the Waterworks Board or the Board's Manager of Collections and Accounts, 601 Cherokee, Leavenworth, Kansas 66048.

LEAVENWORTH WATERWORKS BOARD

STATEMENTS OF NET POSITION

December 31,	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	$ 302,083	$ 452,752
Certificates of deposit and investments	8,841,086	8,905,477
Accounts receivable	1,315,115	870,947
Accrued interest receivable	6,798	8,125
Inventory	781,548	709,348
Prepaid expenses	215,671	170,818
Total current assets	**11,462,301**	**11,117,467**
Noncurrent assets		
Certificates of deposit	1,808,568	1,799,703
Capital assets, net	44,109,595	39,097,147
Total noncurrent assets	45,918,163	40,896,850
TOTAL ASSETS	**57,380,464**	**52,014,317**
Deferred Outflows of Resources		
Deferred outflows - pensions	464,084	575,575
Total Deferred Outflows of Resources	464,084	575,575
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 57,844,548**	**$ 52,589,892**

LEAVENWORTH WATERWORKS BOARD

STATEMENTS OF NET POSITION

December 31,	2021	2020
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable	$ 705,532	$ 456,884
Accrued expenses	204,604	207,506
Accrued employee benefits	414,939	420,607
Meter deposits	553,227	535,564
Accrued interest on meter deposits	46,889	50,632
Accrued interest on loan payable	60,310	32,604
Accrued sludge removal	319,222	175,222
Loan payable, current portion	279,370	-
Total current liabilities	**2,584,093**	**1,879,019**
Noncurrent liabilities		
Loan payable	6,419,244	3,327,825
Net pension liability	1,268,570	1,941,554
Total noncurrent liabilities	**7,687,814**	**5,269,379**
Deferred inflows of resources		
Deferred inflows - pensions	601,347	135,056
Total deferred inflows of resources	**601,347**	**135,056**
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**10,873,254**	**7,283,454**
Net position		
Net investment in capital assets	37,410,981	35,769,322
Unrestricted - undesignated	9,556,766	9,533,292
Unrestricted - designated	3,547	3,824
Total net position	**46,971,294**	**45,306,438**
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 57,844,548**	**$ 52,589,892**

LEAVENWORTH WATERWORKS BOARD

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the years ended December 31,	2021	2020
Revenue		
City services billing fees	$ 307,104	$ 304,899
Water sales	7,588,299	7,694,752
Reconnect and service fees	132,110	76,676
Plumbing supply sales	4,237	6,824
Total revenue	**8,031,750**	**8,083,151**
Costs of production		
Pumping	700,815	753,175
Purification	362,279	334,230
Softening	619,539	657,899
General Plant	1,332,258	1,419,302
Material	1,091	3,888
Total costs of production	**3,015,982**	**3,168,494**
Operating margin	5,015,768	4,914,657
Operating expenses		
Distribution	1,598,439	1,452,704
Administration	814,401	871,825
Depreciation and amortization	1,469,928	1,378,017
Total operating expenses	**3,882,768**	**3,702,546**
Operating income	1,133,000	1,212,111
Nonoperating revenue (expenses)		
Income from investments	67,073	98,560
Miscellaneous revenue (expenses)	89,407	106,344
Rent income	22,332	25,413
Interest on meter deposits	(833)	(8,249)
Loan interest expense	(149,243)	(54,858)
Gain on disposal of assets	4,285	17,200
FEMA flood revenue	408,987	-
Total nonoperating revenue (expenses)	**442,008**	**184,410**
Income before capital contributions	1,575,008	1,396,521
Patron capital contributions	89,847	127,170
Change in net position	1,664,855	1,523,691
Net position, beginning of year	45,306,439	43,782,748
Net position, end of year	**$ 46,971,294**	**$ 45,306,439**

LEAVENWORTH WATERWORKS BOARD

STATEMENTS OF CASH FLOWS

For the years ended December 31,	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 7,676,989	$ 8,259,510
Cash paid to employees and suppliers	(5,332,486)	(6,534,258)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,344,503	1,725,252
CASH FLOWS FROM INVESTING ACTIVITIES		
Net activity of investments	442,775	960,338
Interest received	65,746	76,713
NET CASH PROVIDED BY INVESTING ACTIVITIES	508,521	1,037,051
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from the sale of assets	26,272	15,400
Purchase of capital assets	(6,512,933)	(5,885,319)
Patron contributions	89,847	127,170
Proceeds from issuance of long-term debt	3,539,368	2,677,620
Principal payments on long-term debt	(168,579)	-
Rent income	22,332	25,413
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(3,003,693)	(3,039,716)
Net decrease in cash and cash equivalents	(150,669)	(277,413)
Cash and cash equivalents, beginning of year	452,752	730,165
Cash and cash equivalents, end of year	**$ 302,083**	**$ 452,752**

LEAVENWORTH WATERWORKS BOARD

STATEMENTS OF CASH FLOWS

Reconciliation of operating income to net cash provided by operating results	**2021**	**2020**
Operating income	$ 1,133,000	$ 1,212,111
Adjustments to reconcile operating income to: net cash provided by operating activities:		
Depreciation and amortization	1,469,928	1,378,017
(Increase) decrease in operating assets:		
Accounts receivable	(444,168)	70,015
Inventory	(72,200)	18,873
Prepaid expenses	(44,853)	(12,714)
Deferred outflows	111,491	(329,765)
Increase (decrease) in operating liabilities:		
Accounts payable	248,648	(1,092,785)
Accrued expenses	(2,902)	(53,148)
Accrued employee benefits	(5,668)	(27,983)
Meter deposits	17,663	21,438
Accrued interest on meter deposits	(3,743)	2,955
Accrued sludge removal	144,000	144,000
Net pension liability	(672,984)	452,738
Deferred inflows	466,291	(58,500)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$ 2,344,503**	**$ 1,725,252**

1. SUMMARY OF SIGNFICIANT ACCOUNTING POLICIES

Reporting entity

The Leavenworth Waterworks Board (the "Board") as provided in the Kansas Statutes Annotated 13-2414 through 13-2428, has full control of the municipal water plant of Leavenworth, Kansas. The Governing Board is comprised of five members; each elected to serve for a term of four years, by the voters of the City of Leavenworth, Kansas. Elections are held every two years with alternating positions being voted upon. In the case of a vacancy, the remaining members shall appoint a successor to serve out the term until the next ensuing city election (K.S.A. 13-2416). By resolution of the Board, officers are to be elected from its membership at the first meeting in May of each year. The Governing Board establishes, under Kansas Statutes, all rules and procedures concerning the Leavenworth Waterworks Board.

The same statutes establish the positions of Manager of Production and Distribution and Manager of Collections and Accounts. Persons in those positions serve at the direction of the Governing Board and manage the Waterworks Board's daily operations. The Governing Board also has authorization to appoint other positions such as Engineer or Operations manager to supplement positions established by state statutes.

Government-wide and fund financial statements

The government-wide financial statements (e.g., the statement of net position and the statement of revenues, expenses and changes in net position) report all information on the activities of the Board.

The statement of revenues, expenses and changes in net position demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers who purchase, use, or directly benefits from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment.

The Board only has one category of fund: a proprietary or business-type fund.

Proprietary funds are used to account for activities that are financed and operated in a manner similar to private business enterprises - where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or removed primarily through user charges - of where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management controls, accountability, or other purposes. Amounts reported as program revenues include (1) charges to customers or applications for goods, services, or privileges provided, (2) operating grants and contributions and (3) capital grants and contributions, including special assessments.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, producing and delivering goods in connection with the fund 's principal ongoing operation.

Measurement focus, basis of accounting, and basis of presentation

The government-wide/proprietary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

This system of accounting is in compliance with the applicable laws of the State of Kansas.

Equity classifications
Equity is classified as net position and displayed in three components:

Net investment in capital assets consists of capital assets, including any restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
Restricted net position consists of net position with constraints placed on the use either by external groups, such as through debt covenants, grantors, contributors, or laws and regulations of other governments, or by law through constitutional provisions, or enabling legislation. As of the year ending December 31, 2021 and 2020, the Board did not have any restricted net position.

Unrestricted net position does not meet the definition of restricted or "invested in capital assets." The Board has designated a portion of its unrestricted net position to be used for continuing education.

Statement of cash flows
A statement of cash flows has been presented in accordance with Governmental Accounting Standards Board Statement No. 9 for the proprietary fund. For purposes of the statement of cash flows, demand deposits and all highly liquid investments (including restricted assets) with a maturity date of three months or less when purchased are considered cash equivalents.

Cash and investments
At December 31, 2021, the Board's cash was deposited in demand accounts, Kansas Municipal Investment Pool (KMIP), certificates of deposits, and money market funds held by different financial institutions. The Board records investments in money market interests, including certificates of deposit, at cost plus any accrued interest.

Prepaid items
Prepaid balances are for payments made by the Board in the current year to provide services occurring in the subsequent year.

Capital assets
The Board has amassed various capital assets that are being capitalized and amortized over their useful lives. Purchases are recorded at their actual value, estimated historical cost based on appraisals, or deflated current replacement cost. Contributed capital assets are reported at their estimated fair value at the time received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset life are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Property, plant, and equipment are depreciated by the Board using the straight-line method over the following estimated useful lives:

Building and plants	10 - 100 years
Water distribution system	10 - 100 years
Wells	20 - 50 years
Tools and equipment	5 - 15 years
Office furniture and equipment	3 - 25 years
Vehicles	3 - 5 years
Computer system	3 - 5 years

Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management 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 basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant of these estimates are related to the depreciation of capital assets and the net pension liability.

Revenues

Billings for water revenues, along with charges for City services, are rendered monthly. Under an agreement with the City of Leavenworth, Kansas, the Board bills and collects sewer and refuse charges from water customers as a part of their billing procedures for the City. Under the terms of this agreement, a fee is charged to the City for said billing and collection services. This fee is calculated on an annual basis and collected over the course of the year.

Accounts receivable

Accounts receivable consists of accounts due to the Board and unbilled revenues. During the year, customer water meters are read, and bills rendered throughout the monthly periods. Because not every meter is read on the same date, revenue for water distributed but not yet billed is accrued at year end to match revenues with related expenses.

The Board has adopted a policy to write-off directly all accounts that are 12-months overdue. With the current software capability, in management's opinion, direct write offs are an accurate method of determining the loss due to bad debts. Management considers all remaining accounts receivable to be collectible. Accordingly, there is no allowance for doubtful accounts factored into the presentation of accounts receivable.

Compensated absences

All full-time employees are granted 8 hours of vacation each month from their first year through their fifth year of service. The vacation allowance increases to 10 hours per month at the beginning of an employee's sixth year of service. There is a 200-hour maximum accumulation at the end of any year with 100% vesting upon an employee’s retirement or death.

All full-time employees are granted eight hours of sick leave a month with no maximum limitation on accumulation. Upon retirement or death, employees will be paid for 40% of their accumulated, unused sick leave.

As of December 31, 2021 and 2020, the Board's liability for accumulated compensated absences totaled $413,881 and $419,491, respectively. This balance is reported as accrued employee benefits on the statement of net position.

Deferred outflows and inflows of resources
In addition to assets, the statement of net financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until then. The Board has calculations related to its pension plan that qualify for reporting in this category.
In addition to liabilities, the statement of net financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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 Board has calculations related to its pension plan that qualify for reporting in this category.

Inventory
Inventories consisting of materials and supplies are valued at the lower of cost or market. Cost is determined on a weighted average basis.

Capital contributions
Contributions in aid to construction were not capitalized prior to the year ended April 30, 1975. It was the opinion of management that the amounts by which the financial statements might change, if these items were included, were not material to the financial statements.

Budget
The Board is not subject to statutory budget requirements. Accordingly, budgetary comparison schedules have not been included with as required supplementary information. The Board is not legally required to establish a budget; however, for monitoring purposes, the Board creates and utilizes operating budgets for operations control and compliance with debt service requirements.

Reclassifications
Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

2. RISK MANAGEMENT

The Board is exposed to various risks of losses related to tortes; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has purchased commercial insurance to offset these certain risks. The Board reviews insurance coverage annually to determine that insurance policies in effect are appropriate and written with insurance companies authorized to transact business in the state of Kansas. The Board has insurance coverage for property, fire, and theft.

3. FIDELITY BONDS

Fidelity bonds of elected and appointed officials were in effect on December 31, 2021 and 2020. These bonds met statutory requirements and were approved by the Board.

4. COMPLIANCE WITH KANSAS STATUTES

Management is not aware of any statutory violations for the periods under audit.

5. CASH AND INVESTMENTS

The designation of depositories for public funds is detailed within K.S.A 9-1401. This statute states the

Governing Board shall designate by official action the financial institutions which will serve as depositories of funds. The statute also details for a bank, savings and loan association, and/or savings bank to be eligible to hold the Board's funds, there must be a main branch office within the county in which the Board is located, or in an adjoining county if such institution has been designated as an official depository. The depository bank is required to provide an acceptable rate of return on deposited funds and required to secure, pledge collateral, for the funds deposited in excess of the Federal FDIC coverage.

Investment of public moneys is also subject to K.S.A. 12- 1675 which limits the Board's investment of idle funds in certain types of accounts. Allowable investments include temporary notes or no-fund warrants; saving deposits, demand deposits, time deposits, open accounts and certificates of deposits with allowable financial institutions with maturities of not more than two years; in repurchase agreements; in direct obligations of or obligations that are insured as to principal and interest for the United States or any agency thereof (not including mortgage-backed securities) but not exceeding two years; and in the Kansas Municipal Investment Pool established in K.S.A. 12-1677a.

At December 31, 2021, the Board's carrying amount of cash and investments (including money market accounts and certificates of deposit) totaled $10,942,005. The bank balance of $7,256,465 was held by five different financial institutions resulting in a concentration of credit risk.

Custodial credit risk - deposits

Custodial credit risk is the risk that in the event of bank failure, the Board's deposits may not be returned to it. State statutes require that the Board funds deposited in financial institutions be entirely covered by federal depositor 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. As of December 31, 2021, all the Board's deposits with financial institutions were fully insured or collateralized by securities held in the Board's name.

Concentration of credit risk

State statutes place no limits on the amount the Board may invest/entrust in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The Board's allocation of investments as of December 31, 2021, are as follows:

Investment Type	Rating	Percentage
Certificates of deposit		
Exchange Bank & Trust	Not Available	6.0%
Mutual Savings Association	Not Available	11.3%
Citizens Savings & Loan Assoc.	Not Available	13.7%
Commerce Bank	Not Available	10.1%
Country Club Bank	Not Available	17.3%
Kansas Municipal Investment Pool	S&P AAAf/S1+	41.6%

At December 31, 2021 and 2020, the Board had funds totaling $4,431,310 and $2,392,656, respectively, invested in the Kansas Municipal Investment Pool. The municipal investment pool is under the oversight of the Pooled Money Investment Board. The Kansas Municipal Investment Pool Board is comprised of the State Treasurer and four additional members appointed by the Governor of Kansas. The Kansas Municipal Investment Pool Board reports annually to the Kansas legislature. State pooled moneys may be invested in direct obligations of, or obligations that are insured as to principal and interest by the U.S. Government or

any agency thereof, with maturities up to four years. No more than ten percent (10%) of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

Custodial credit risk - investments

Custodial credit risk for investments is the risk that in the event of the failure of the issuer or counterparty, the Board would 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.

At December 31, 2021, the Board had the following investments and maturities, including certificates of deposits:

Investment Type	Fair Value	Investment Maturities in Less than 1 year	1-5 years
Certificates of deposit			
Exchange Bank & Trust	$ 634,950	$ 634,950	$ -
Mutual Savings Association	1,204,870	1,204,870	-
Citizens Savings & Loan Assoc.	1,461,357	810,112	651,245
Commerce Bank	1,074,697	535,686	539,011
Country Club Bank	1,842,470	1,224,158	618,312
Kansas Municipal Investment Pool	4,431,310	4,431,310	-
	$ 10,649,654	**$ 8,841,086**	**$ 1,808,568**

6. CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2021 and 2020, is as follows:

	December 31, 2020	Increases	Decreases	December 31, 2021
Capital assets, not being depreciated				
Real estate	$ 820,673	$ -	$ -	$ 820,673
Construction in progress	306,724	1,730,800	1,880,810	156,714
Other assets	3,921,931	505,697	4,024,054	403,574
Total capital assets, not being depreciated	**5,049,328**	**2,236,497**	**5,904,864**	**1,380,961**
Capital assets, being depreciated				
Administrative				
Office Building	610,834	-	-	610,834
Furniture and equipment	114,206	-	-	114,206
Office computer system	507,779	49,140	-	556,919
Administrative car	21,101	-	-	21,101

Distribution				
System	33,273,121	2,104,751	-	35,377,872
Center	621,441	-	-	621,441
Booster station	254,163	-	-	254,163
Pilot Knob Cottage	190,460	-	-	190,460
Tools and equipment	1,203,097	13,344	-	1,216,441
Trucks	318,480	90,230	-	408,710
Furniture and equipment	2,420	-	-	2,420
Computer system	18,053	-	-	18,053
North Plant				
Buildings and equipment	4,648,459	49,386	-	4,697,845
Softening equipment	579,527	-	-	579,527
Intake building	1,651,604	-	-	1,651,604
Computer system	796,380	-	-	796,380
Tools and equipment	103,032	15,199	13,136	105,095
Trucks	22,732	-	-	22,732
Furniture and equipment	5,251	-	-	5,251
Purification	2,912,293	-	-	2,912,293
South Plant				
Buildings and equipment	7,496,230	12,485	-	7,508,715
Lagoons	300,893	28,266	-	329,159
Wells	1,872,028	6,923,072	-	8,795,100
Computer system	514,073	-	-	514,073
Tools and equipment	116,912	15,199	13,136	118,975
Trucks	46,872	-	-	46,872
Furniture and equipment	12,018	-	-	12,018
Purification	2,464,946	-	-	2,464,946
Pumping	187,179	555,746	-	742,925
Softening equipment	144,811	293,927	-	438,738
Hwy 5 Building and equipment	8,050	-	-	8,050
Total capital assets, being depreciated	**61,018,447**	**10,150,745**	**26,272**	**71,142,920**
Less accumulated depreciation for				
Administrative				
Office Building	540,238	6,857	-	547,095
Furniture and equipment	108,502	3,331	-	111,833
Office computer system	468,976	11,743	-	480,719
Administrative car	21,101	-	-	21,101
Distribution				
System	7,478,491	554,613	-	8,033,104
Center	545,856	10,548	-	556,404
Booster station	213,536	6,901	-	220,437
Pilot Knob Cottage	63,942	12,780	-	76,722
Tools and equipment	807,798	82,812	-	890,610
Trucks	194,841	30,970	-	225,811
Furniture and equipment	2,463	-	-	2,463
Computer system	4,657	3,298	-	7,955

North Plant				
Buildings and equipment	3,333,841	150,731	-	3,484,572
Softening equipment	433,273	12,625	-	445,898
Intake building	1,094,975	44,819	-	1,139,794
Computer system	521,033	49,285	-	570,318
Tools and equipment	91,579	7,106	13,136	85,549
Trucks	22,732	-	-	22,732
Furniture and equipment	3,591	430	-	4,021
Purification	1,965,289	89,817	-	2,055,106
South Plant				
Buildings and equipment	5,028,365	161,069	-	5,189,434
Lagoons	215,721	6,282	-	222,003
Wells	1,611,481	38,009	-	1,649,490
Computer system	236,418	50,194	-	286,612
Tools and equipment	69,197	8,109	13,136	64,170
Trucks	46,872	-	-	46,872
Furniture and equipment	8,764	399	-	9,163
Purification	1,621,033	76,008	-	1,697,041
Pumping	99,527	30,304	-	129,832
Softening equipment	108,487	20,888	-	129,374
Hwy 5 Building and equipment	8,050	-	-	8,050
Total accumulated depreciation	**26,970,629**	**1,469,929**	**26,272**	**28,414,286**
Total capital assets, being depreciated, net	**34,047,818**	**8,680,817**	**-**	**42,728,634**
Total capital assets, net	**$ 39,097,146**	**$ 10,917,314**	**$ 5,904,864**	**$ 44,109,595**

	December 31, 2019	Increases	Decreases	December 31, 2020
Capital assets, not being depreciated				
Real estate	$ 820,673	$ -	$ -	$ 820,673
Construction in progress	2,296,438	3,743,579	5,733,293	306,724
Other assets	1,004,496	2,927,167	9,732	3,921,931
Total capital assets, not being depreciated	**4,121,607**	**6,670,746**	**5,743,025**	**5,049,328**
Capital assets, being depreciated				
Administrative				
Office Building	605,586	5,248	-	610,834
Furniture and equipment	114,206	-	-	114,206
Office computer system	513,354	14,274	19,849	507,779
Administrative car	21,101	-	-	21,101
Distribution				
System	29,484,074	3,789,047	-	33,273,121
Center	621,441	-	-	621,441
Booster station	241,244	12,919	-	254,163
Pilot Knob Cottage	175,699	14,761	-	190,460
Tools and equipment	1,165,476	112,886	75,265	1,203,097
Trucks	302,112	32,191	15,823	318,480
Furniture and equipment	2,420	-	-	2,420
Computer system	4,223	13,830	-	18,053

North Plant				
Buildings and equipment	4,513,224	135,235	-	4,648,459
Softening equipment	579,527	-	-	579,527
Intake building	1,371,167	280,437	-	1,651,604
Computer system	796,380	-	-	796,380
Tools and equipment	103,032	-	-	103,032
Trucks	22,732	-	-	22,732
Furniture and equipment	5,251	-	-	5,251
Purification	2,912,293	-	-	2,912,293
South Plant				
Buildings and equipment	7,479,454	16,776	-	7,496,230
Lagoons	297,393	3,500	-	300,893
Wells	1,827,515	44,513	-	1,872,028
Computer system	514,073	-	-	514,073
Tools and equipment	116,912	-	-	116,912
Trucks	46,872	-	-	46,872
Furniture and equipment	12,018	-	-	12,018
Purification	2,464,946	-	-	2,464,946
Pumping	142,354	44,825	-	187,179
Softening equipment	144,811	-	-	144,811
Hwy 5 Building and equipment	8,050	-	-	8,050
Total capital assets, being depreciated	**56,608,942**	**4,520,442**	**110,937**	**61,018,447**
Less accumulated depreciation for				
Administrative				
Office Building	533,142	7,096	-	540,238
Furniture and equipment	105,171	3,331	-	108,502
Office computer system	480,584	8,241	19,849	468,976
Administrative car	21,101	-	-	21,101
Distribution				
System	6,987,559	490,932	-	7,478,491
Center	535,235	10,621	-	545,856
Booster station	206,424	7,112	-	213,536
Pilot Knob Cottage	51,554	12,389	-	63,942
Tools and equipment	802,330	80,733	75,265	807,798
Trucks	177,334	33,330	15,823	194,841
Furniture and equipment	2,463	-	-	2,463
Computer system	2,050	2,607	-	4,657
North Plant				
Buildings and equipment	3,187,327	146,514	-	3,333,841
Softening equipment	419,657	13,616	-	433,273
Intake building	1,056,284	38,691	-	1,094,975
Computer system	471,722	49,311	-	521,033
Tools and equipment	86,020	5,559	-	91,579
Trucks	22,732	-	-	22,732
Furniture and equipment	3,161	430	-	3,591
Purification	1,875,472	89,817	-	1,965,289

South Plant				
Buildings and equipment	4,853,205	175,160	-	5,028,365
Lagoons	211,238	4,483	-	215,721
Wells	1,558,218	53,263	-	1,611,481
Computer system	185,895	50,522	-	236,418
Tools and equipment	62,636	6,561	-	69,197
Trucks	46,872	-	-	46,872
Furniture and equipment	8,365	399	-	8,764
Purification	1,545,025	76,008	-	1,621,033
Pumping	96,299	3,228	-	99,527
Softening equipment	100,807	7,680	-	108,487
Hwy 5 Building and equipment	7,667	383	-	8,050
Total accumulated depreciation	**25,703,549**	**1,378,017**	**110,937**	**26,970,629**
Total capital assets, being depreciated, net	**30,905,393**	**3,142,426**	**-**	**34,047,818**
Total capital assets, net	**$ 35,027,000**	**$ 9,813,172**	**$ 5,743,025**	**$ 39,097,147**

Depreciation and amortization expense for the years ended December 31, 2021 and 2020, was $1,469,928 and $1,378,017, respectively.

7. DEFINED BENEFIT PENSION PLAN

Plan description

The Kansas Public Employees Retirement System (KPERS, or the System) is a body corporate and an instrumentality of the State of Kansas. KPERS is the administrator of a cost-sharing multiple-employer defined benefit pension 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 System's website at 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 include:
  - State/school employees
  - Local employees
- Police and firemen
- Judges

Substantially all public employees in Kansas are covered by the Pension Plan. The State of Kansas and Kansas public schools are required to participate, while participation by local political subdivisions is optional, but irrevocable once elected.

Those employees participating in the Pension Plan for the Board are included in the local employee's group.

Benefits

Benefits are established by statute and may only be changed by the Legislature. Members within the Local Employees group 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 services, or whenever a member's combined age and years of service equal 85 "points".

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, members may withdrawal their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights of 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.

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.

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 rate be determined based on the results of an annual actuarial valuation for each of the three statewide pension groups. 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, which includes the state and school 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 rates and the statutory contribution rates for local employees is 8.87%. Member contribution rates as a percentage of eligible compensation in fiscal year 2021 are 6.00% for public employees.

Employer and nonemployer allocations

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

- State
- School

- Local
- Police and Firemen
- Judges

To facilitate the separate (sub) actuarial valuations, the Pension Plan maintains separate accounts to identify additions, deductions, and fiduciary net positions 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 each group as of June 30, 2021, are based on the ratio of each employer's contributions to total employer and nonemployer contributions of the group for the fiscal year ended June 30, 2021. The contributions used exclude contributions made for prior service, excess benefits, and irregular payments. The employer allocation percentages have been rounded for presentation purposes. Therefore, use of these percentages to recalculate individual employer amounts presented in the schedules of pension amounts by employer and nonemployer may result in immaterial differences due to rounding.

At June 30, 2021, the Board's proportion was 0.105718%, which was a decrease of 0.006274 from its proportion measured as of June 30, 2020.

Receivables

In addition to statutorily determined contractually required contributions, certain agencies also make payments through an additional component of their required employer contribution rate or annual installment payments. Both options include interest at 8 percent per year, for the cost of service credits granted retroactively when the agency initially joined the Retirement System. As of June 30, 2021, the outstanding balance was $3,408,088. These payments are due over various time periods up through December 31, 2032.

The 2016 Legislature passed Senate Bill 131 authorizing the delay of $64.1 million in Fiscal Year 2017 contributions. Repayment is scheduled to be made in a series of twenty annual payments of $6.4 million which began in Fiscal Year 2019. Senate Sub for HB 2002 authorized the delay of $194 million in Fiscal Year 2019 school contributions. Repayment is scheduled to be made in a series of twenty annual payments of $19.4 million beginning in Fiscal Year 2020. These amounts have been set up as receivables, the balance at June 30, 2021 was $242,903,822. The implicit interest rate for these receivables is the assumed rate of return, 7.75%.

Actuarial assumptions

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

Assumptions	Rate
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	7.25 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. Best estimates of arithmetic real rates of return for each major asset class as of the more recent experience study, dated January 7, 2020, as provided by KPERS' investment consultant, are summarized in the following table:

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

Discount rate

The discount rate used to measure the total pension liability at the measurement date of June 30, 2021 was 7.25 percent. The discount rate used to measure the total pension liability at the measurement date of June 30, 2020 was 7.50 percent. The actuarial assumptions used in the calculation of the total pension liability were based on the results of the most recent actuarial experience study. It covered the three-year period of January 1, 2016 through December 31, 2018 and was dated January 7, 2020.

The projection of cash flows used to determine the discount rate was based on member and employer contributions. In KPERS, the State/School and Local groups do not necessarily contribute the full actuarial determined rate. Based on legislation first passed in 1993 and subsequent legislation, the employer contribution rates certified by the Board may not increase by more than the statutory cap. The statutory cap for Fiscal Year 2021 was 1.2%.

In recent years, the Legislature has made several changes to statutory rates that deviate from the scheduled contribution increases set under the caps established in 2012 for the State/School group. Under 2015 SB 4, the previously certified State/School statutory rate for fiscal year 2015 of 11.27 percent was reduced to 8.65 percent for the last half of the fiscal year as part of the Governor's allotment. The same session, SB 228 recertified statutory rates for the State/School group to 10.91 percent for fiscal year 2016 and 10.81% for fiscal year 2017 in anticipation of the issuance of $1 billion in pension obligation bonds. Legislation in the 2016 session (SB 161) provided for the delay of up to $100 million in State and School contributions to the Pension Plan. Legislation passed by the 2017 Legislature removed the repayment provisions included in SB 161.

In addition, 2017 Senate Sub for Sub HB 2052 delayed $64.1 million in Fiscal Year 2017 State/School

contributions, to be repaid over 20 years in level dollar installments. The first payment of $6.4 million was paid in full at the beginning of Fiscal Year 2018, and appropriations for Fiscal Year 2018 were made at the statutory contribution rate of 12.01 percent for the State/School group. Additional legislation in the 2017 Session (Senate Sub for HB 2002) provided for a reduction of $194 million from the previously certified contribution rate of 13.21 percent in the State/School contributions for Fiscal Year 2019. Like the Fiscal Year 2017 reduction, it is to be paid back over a 20-year period, beginning in Fiscal Year 2020. Therefore, both reductions will be accounted for as long-term receivables by the Pension Plan. The 2019 Legislature passed House Sub for Sen Bill 109, which directed on-behalf payments of $56 million and $82 million be made to the System. The 2019 Legislative session passed Senate Bill 9 which authorized a transfer of $115 million to KPERS, received in March 2020. House Sub for Senate Bill 25 from the 2019 Legislative session authorized additional funding for the KPERS School group in Fiscal Year 2020 of $51 million.

The 2021 Legislature passed House Bill 2405, which authorizes the state of Kansas to issue bonds with net proceeds of $500 million to fund a portion of the School Group's unfunded actuarial liability, assuming certain criteria are met. As a result, the State/School contribution rate was recertified for Fiscal Years 2022 and 2023, lowering them respectively to 13.86 and 13.11 percent. The bond proceeds were received and reflected in the projected cash flows as of August 26, 2021.

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

The statutory contribution rate for the combined State/School group first became equal to the actuarially required rate (ARC rate) in Fiscal Year 2021. Projections based on the same valuation, and an annual return on investments of 7.25 percent, indicate that the contribution rate will remain fairly stable until 2036.
The Local, Kansas Police and Firemen, and Judges groups are contributing at the full actuarial contribution rate.

Sensitivity of the net pension liability to changes in the discount rate
The following presents the net pension liability of the Pension Plan as of June 30, 2021, calculated using the discount rate of 7.25 percent, as well as what the Pension Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25 percent) or 1 percentage point higher (8.25 percent) than the current rate:

1 % Decrease 6.25%	Discount Rate 7.25%	1 % Increase 8.25%
$ 2,086,674	$ 1,268,570	$ 582,486

Collective deferred outflows and inflows of resources
The following table provides the combined deferred outflows/(inflows), as of June 30, 2021, that will be recognized in pension expense in future years:

Deferred Outflows of Resources		
Difference between expected and actual difference	$	50,073
Changes in assumptions		249,719
Changes in proportion		73,843
Total		**373,635**
Deferred Inflows of Resources		
Difference between expeced and actual difference		11,486
Net difference between projected and actual earnings on pension plan investments pension plan investments		450,466
Changes in proportion		139,395
Total		**601,347**
Net deferred outflows (inflows) of resources	**$**	**(227,712)**

An amount of $90,449 reported as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized within the balance for the year ending December 31, 2021.

Net deferred outflows (inflows) of resources by year to be recognized in future pension expenses are as follows (not including contributions subsequent to the measurement date):

Year Ending December 31,		**Deferred Inflows/Outflows of Resources**
2022	$	(33,258)
2023		(45,465)
2024		(33,934)
2025		(120,835)
2026		5,780
	$	**(227,712)**

Pension expense

For the year ended December 31, 2021 and 2020, the Board recognized pension expense of $85,701 and $270,137, respectively. This figure includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows and deferred inflows of resources for the current period.

8. LONG-TERM DEBT

In January 2019, the Waterworks Board obtained a loan with the Kansas Public Water Supply Loan Fund with interest and service fees of 2.38%, with the purpose of water system improvements. Interest and service fees paid and accrued at the end of the year were $149,243.

The following is a summary of changes in long-term debt for the year ended December 31, 2021:

	Balance at beginning of year	Proceeds	Payments	Balance at end of year
Kansas Public Water Supply Loan Fund	$ 3,327,825	$ 3,539,368	$ 168,579	$ 6,698,614

The annual debt service requirements to maturity as of December 31, 2021 are as follows:

	2022	2023	2024	2025	2026	2027-2031	2032-2036	2037-2041	Total
Principal	$ 279,370	$ 279,868	$ 286,568	$ 293,429	$ 300,454	$ 1,613,680	$ 1,816,324	$ 1,828,921	$ 6,698,614
Interest and fees	151,621	151,123	144,422	137,561	130,536	541,273	338,629	110,537	1,705,702
Total	**$ 430,991**	**$ 430,991**	**$ 430,990**	**$ 430,990**	**$ 430,990**	**$ 2,154,953**	**$ 2,154,953**	**$ 1,939,458**	**$ 8,404,316**

The Waterworks Board has certain loan covenants with the agreement requiring total revenue available for debt service, as defined in the agreement, of at least 140% of debt requirements. This amount was 598% for the year ended December 31, 2021.

9. ACCRUED SLUDGE REMOVAL AND WELL TREATMENT EXPENSE

Accrued sludge removal

Water is softened at both water treatment plans to remove carbonate hardness and organics from the water. The by-product of the treatment process is lime sludge, which is largely the chemical equivalent of limestone and water. Since 1948, lime sludge generated at the North Plant has been discharged directly into the Missouri River at a point just east of the treatment plant.

Lime sludge generated by the South Plant is temporarily stored in four lagoons (ponds) near the plant. When each lagoon is filled, and following a period of settlement and drying, the sludge is excavated from the filled lagoons and transported periodically to nearby agricultural land where it is applied as a soil amendment to promote commercial crop production.

To provide for these costs and charge current operations, the Board has established an accrued expense liability entitled Accrued Sludge Removal. The Board believes this amount is reasonable for future sludge removal costs.

At December 31, 2021 and 2020, the accrued sludge removal totaled $319,222 and $175,222, respectively.

Well treatment expenses

At December 31, 2021 and 2020, accrued well treatment expenses were $166,635 and $171,141, respectively.

10. COMMITMENTS

The Board has entered into various contracts for future infrastructure improvements.

11. GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS

As of December 31, 2021, GASB has issued statements that are not yet effective for Leavenworth Waterworks Board and have not yet been implemented but will impact Leavenworth Waterworks Board's financial statements. The statements are as follows:

GASB issued Statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. This statement will be effective for Leavenworth Waterworks Board's year ending December 31, 2022. Leavenworth Waterworks Board has not yet determined the effect that the adoption of this Statement will have on its financial statements.

GASB issued Statement No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset. This statement was effective for Leavenworth Waterworks Board's year ending December 31, 2021.

12. RISKS AND UNCERTANTIES

As a result of significant disruption in the U.S. economy due to the outbreak of the COVID-19 coronavirus in 2020, uncertainties have arisen which are likely to negatively impact future operating results. The duration and extent to which COVID-19 may impact financial performance is unknown at this time.

13. SUBSEQUENT EVENTS

The Board has evaluated subsequent events through the date the financial statements were available to be issued. The Board determined that no subsequent events have occurred that would require recognition in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

LEAVENWORTH WATERWORKS BOARD

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employer's Proportionate Share of the Net Pension Liability

December 31,	2021	2020	2019	2018	2017	2016	2015
Proportionate share of the net pension liability	0.106 %	0.112 %	0.107 %	0.117 %	0.109 %	0.114 %	0.114 %
Proportionate share of the net pension liability	$ 1,268,570	$ 1,941,554	$ 1,488,816	$ 1,641,912	$ 1,577,643	$ 1,760,411	$ 1,498,026
Covered-employee payroll	$ 2,017,045	$ 2,122,430	$ 2,127,993	$ 2,184,946	$ 2,084,524	$ 1,929,999	$ 1,867,358
Proportional share of the net pension liability as a percentage of covered payroll	62.89 %	91.48 %	69.96 %	75.15 %	75.68 %	91.21 %	80.22 %
Plan fiduciary net position as a percentage of the total pension liability	76.40 %	66.30 %	69.88 %	68.88 %	67.12 %	65.10 %	64.95 %

*Data became available with the inception of GASB 68 during 2015. Ten years worth of data is unavailable at this time.

Fiscal Year Ending	Actuarially Determined Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
December 31, 2015	$ 174,467	$ 174,467	$ -	$ 1,867,358	9.34 %
December 31, 2016	182,023	182,023	-	1,929,999	9.43 %
December 31, 2017	170,367	170,367	-	2,084,524	8.17 %
December 31, 2018	177,636	177,636	-	2,184,946	8.13 %
December 31, 2019	170,192	170,192	-	2,127,993	8.00 %
December 31, 2020	185,045	185,045	-	2,122,430	8.72 %
December 31, 2021	178,123	178,123	-	2,017,045	8.83 %

*Data became available with the inception of GASB 68 during 2015. Ten years worth of data is unavailable at this time.

ADDITIONAL INFORMATION

LEAVENWORTH WATERWORKS BOARD

ADDITIONAL INFORMATION

SCHEDULE OF COSTS OF PRODUCTION	2021	2020
Pumping costs		
Utilities	$ 497,562	$ 510,192
Repairs	120,971	153,863
Insurance	82,282	89,120
Total pumping costs	700,815	753,175
Purification costs		
Chemicals	267,974	240,715
Repairs to equipment	74,467	81,620
Water analysis	17,523	11,395
Other expense	2,315	500
Total purification costs	362,279	334,230
Softening costs		
Chemicals	412,032	467,015
Sludge Removal - lagoons	144,000	144,000
Repairs to equipment	63,507	46,884
Total softening costs	619,539	657,899
General plant costs		
Operators salaries	917,419	943,937
Payroll expense	287,428	360,048
Repairs	111,667	97,460
Other	15,744	17,857
Total general plant costs	1,332,258	1,419,302
Material costs	1,091	3,888
Total costs of production	$ 3,015,982	$ 3,168,494

LEAVENWORTH WATERWORKS BOARD

ADDITIONAL INFORMATION

SCHEDULE OF DISTRIBUTION AND ADMINISTRATION EXPENSES	2021	2020
Distribution expense before depreciation		
Salaries	$ 735,005	$ 714,635
Repairs - booster, mains, valves, lines, and meters	516,466	324,831
Payroll expense	182,853	258,248
Insurance	45,600	44,672
Utilities	31,813	27,587
Building maintenance and supplies	27,313	23,254
Truck and heavy equipment expense	16,903	19,177
Training, dues, and subscriptions	11,492	11,530
Miscellaneous	8,101	10,871
Small tools and equipment expense	8,605	6,132
Uniforms	6,940	5,837
Terminated service	7,348	5,930
Total distribution expense before depreciation	$ 1,598,439	$ 1,452,704
Administration expense before depreciation		
Salaries	$ 381,818	$ 406,097
Computer expense	124,303	117,694
Payroll expense	107,815	140,380
Office expense	68,898	84,654
Legal and professional services	37,357	40,210
Utilities - office	23,396	22,822
Training, dues, and subscriptions	21,223	20,400
Insurance and fidelity bonds	21,199	19,688
Repairs	16,099	12,363
Miscellaneous	12,028	7,445
Traveling expense	265	72
Total administration expense before depreciation	$ 814,401	$ 871,825

LEAVENWORTH WATERWORKS BOARD

ADDITIONAL INFORMATION

Schedule of Investments		Balance 12/31/2020		Net Additions		Balance 12/31/2021
Certificates of Deposit	$	8,312,525	$	(2,094,181)	$	6,218,344
Kansas Municipal Investment Pool		2,392,655		2,038,655		4,431,310
Accrued Interest		8,125		(1,327)		6,798
Total	$	10,713,305	$	(56,853)	$	10,656,452