SSC CPAs, P.A.

LEAVENWORTH WATERWORKS BOARD

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

DECEMBER 31, 2023 AND 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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 audits 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 Leavenworth Waterworks Board, Leavenworth, Kansas, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 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 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 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 GAAS, 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, and the schedules of employer's required contributions and employer's proportionate share of the net pension liability, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of costs of production, distribution and administration expenses, and investments are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedules of operating expenses and investments are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

SSC CPAs, P.A.

SSC CPAs, P.A.
Overland Park, Kansas

June 5, 2024

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, 2023. Please read it in conjunction with the accompanying financial statements which begin on page 8.

HISTORY AND OVERVIEW

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 Waterworks operate today as established in 1937 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 capacity water-filtration plant and a high-service pumping station. Later upgrades expanded the capacity to 6 million gallons per day (MGD) and added lime softening. With additional growth, a second water treatment plant was completed 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 Leavenworth Waterworks operates two water treatment plants, a booster station, a water-storage facility, and 198.44 miles of distribution system. Safe drinking water is provided to the citizens of Leavenworth, Lansing Correctional Facility, and seven rural water districts. The total number of taps served by the Waterworks is nearly 12,000 in the water-service area.

2023 EVENTS OF SIGNIFICANCE

Although COVID-19 restrictions continued to ease in 2023, the local economy has been slow to respond to pre-pandemic water consumption levels. Water consumption in 2023 was lower than the last 35 years. Coupled with significant inflation of treatment chemical and energy costs, the utility experienced a net loss. Revenue concerns prompted the Board to enact a two percent retail rate increase effective April 1, 2023, along with a minor adjustment to the wholesale rate. A second increase effective July 1, 2023, was enacted to help close the gap. A third increase was approved for April 1, 2024. These last two increases removed the water previously included in the customer charge (2 CCF) and began charging for water from the first one hundred cubic feet (CCF) used, affecting every customer equally.

The Waterworks continued to wait on a permanent easement from the US Department of Justice for property on which to construct an additional water storage tank to complement the 140-year-old storage tank located on Pilot Knob. A $7 million Kansas Public Water Supply Loan Fund 20-year loan at an interest rate of 1.34 percent to finance construction remains available at the end of 2023. Part of the impetus for this project is the construction of the new Federal Corrections Institution by the US Bureau of Prisons (BOP) to replace the

US Penitentiary – Leavenworth. A payment of $2.7 million to the Waterworks was received from the BOP to provide 500,000 gallons of dedicated water storage for the new FCI within the Waterworks system in lieu of the BOP constructing an elevated tank on site. This payment is reported as deferred revenue until the new tank is completed.

The Board continuously investigates ways to improve and reduce costs. In August 2023, Black & Veatch presented the results of a study of the water treatment plants reviewing their operational efficiencies, anticipated regulatory compliance issues, and assessing their condition. The study identified certain reliability issues at each plant and, through a value engineering process, identified the most economical solution. Due to the Missouri River riverbed degradation, it is becoming more difficult to get raw water to the North Treatment Plant during times of lower flows. The single treatment train at the South Treatment Plant makes it difficult to perform maintenance or complete emergency repairs. The solution to both these issues having the lowest capital and operational costs appears to be the construction of the second treatment train at the South Plant. The Board elected to pursue this solution and staff have been directed to develop financing options. Combinations of grants, debt, cash-in-hand, and rate increases are all being considered for the anticipated $40 million project cost.

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.

SUBSEQUENT EVENTS

Because of the delay in receiving the easement, the first repayment of the KPWSLF loan became due February 1, 2024. In order to preserve the interest rate and other conditions, a drawdown for the design engineering and administrative costs to date was made. Subsequently, the first loan repayment was made.

The easement for the Tank Project was finally received in mid-February 2024. Two construction contracts were promptly bid on and awarded to the respective low bidders. Work on the first contract, the transmission main installation, is expected to start in late spring and be completed in 150 calendar days. The second contract, the sitework and tank construction, is also expected to start in late spring but is expected to take 635 calendar days.

ANALYSIS OF THE FINANCIAL STATEMENTS

As of December 31, 2023, the Board's net position at year end decreased $573,973, to result in a balance of $46,336,086.

Table 1
Waterworks Board
Condensed Statement of Net Position

	Proprietary Funds		Total Percentage Change
	2022	**2023**	**2022-2023**
Current and other assets	$ 11,332,136	$ 12,729,615	12.33 %
Certificates of deposit	1,719,696	1,778,047	3.39 %
Capital assets	43,577,531	44,511,094	2.14 %
Total assets	**56,629,363**	**59,018,756**	**4.22 %**
Deferred outflows of resources	695,373	645,614	(7.16)%
Total deferred outflows of resources	**695,373**	**645,614**	**(7.16)%**
Current liabilities	2,136,117	2,585,486	21.04 %
Long-term liabilities	8,122,848	10,652,802	31.15 %
Total liabilities	**10,258,965**	**13,238,288**	**29.04 %**
Deferred inflows of resources	155,712	89,996	(42.20)%
Total deferred inflows of resources	**155,712**	**89,996**	**(42.20)%**
Net position:			
Net investment in capital assets	37,158,287	38,371,717	3.27 %
Unrestricted	9,751,772	7,964,369	(18.33)%
Total net position	**$ 46,910,059**	**$ 46,336,086**	**(1.22)%**

Current and Other Assets - Total current and other assets increased approximately $2.4 million. The majority of this increase is due to cash payment received from a new contract with the Federal Corrections Institution for water tank storage but recorded as deferred revenue as the contract has not been fulfilled.

Capital Assets - Capital assets, net of accumulated depreciation increased approximately $1 million as there were more additions in the current year and depreciation expense remained consistent.

Liabilities - Current and other liabilities increased from the prior year by $0.5 million. The majority of this increase is attributable to accounts payable timing, increase of the sludge accrual, and the addition of subscription liabilities.

Long-term Liabilities – Total long-term liabilities increased by approximately $3.0 million due to an increase in the net pension liability and the deferred revenue as noted above partially offset by debt payments.

Net Position – As noted above, net position decreased by approximately $574 thousand from the prior year.

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

	Proprietary Funds		Total Percentage Change
	2022	**2023**	**2022-2023**
Revenues:			
City services billing	$ 308,551	$ 362,828	17.59 %
Water sales	7,106,137	7,091,054	(0.21)%
Reconnect and service fees	119,434	85,363	(28.53)%
Plumbing supply sales	8,882	10,977	23.59 %
Non-operating	216,635	272,607	25.84 %
Total revenues	**7,759,639**	**7,822,829**	**0.81 %**
Expenses:			
Production	3,169,550	3,535,982	11.56 %
Distribution & administration	2,768,049	2,964,498	7.10 %
Depreciation	1,719,374	1,710,667	(0.51)%
Interest	154,968	149,372	(3.61)%
Loss on bad debts	6,340	-	(100.00)%
Non-operating	1,064	36,283	3309.99 %
Total expenses	**7,819,345**	**8,396,802**	**7.38 %**
Net Income (loss) before capital contributions	**$ (59,706)**	**$ (573,973)**	**861.33 %**

Revenues - Overall, revenues increased by approximately $70 thousand from the prior year.

Expenses - Expenses increased from the prior year by approximately $584 thousand.

Capital Contributions - Within the year, the Board recognized $0 in capital contributions.

Please refer to Note 6 for more detailed information regarding capital asset activity during the year ended December 31, 2023.

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,	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 427,630	$ 781,674
Certificates of deposit and investments	10,207,946	8,545,916
Accounts receivable	889,405	796,276
Accrued interest receivable	10,659	7,470
Inventory	882,317	961,089
Prepaid expenses	209,677	239,711
Subscription assets	101,981	-
Total current assets	**12,729,615**	**11,332,136**
Noncurrent assets		
Certificates of deposit	1,778,047	1,719,696
Capital assets, net	44,511,094	43,577,531
Total noncurrent assets	46,289,141	45,297,227
TOTAL ASSETS	**59,018,756**	**56,629,363**
Deferred outflows of resources		
Deferred outflows - pensions	645,614	695,373
Total deferred outflows of resources	645,614	695,373
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 59,664,370**	**$ 57,324,736**

LEAVENWORTH WATERWORKS BOARD

STATEMENTS OF NET POSITION

December 31,	2023	2022
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable	$ 677,954	$ 590,524
Accrued expenses	186,339	195,713
Accrued employee benefits	342,683	357,550
Meter deposits	561,256	564,908
Accrued interest on meter deposits	59,478	44,896
Accrued interest on loan payable	60,882	63,658
Accrued sludge removal	303,850	39,000
Loan payable, current portion	286,569	279,868
Subscription liabilities	106,475	-
Total current liabilities	**2,585,486**	**2,136,117**
Noncurrent liabilities		
Loan payable	5,852,808	6,139,376
Net pension liability	2,109,339	1,983,472
Deferred revenue	2,690,655	-
Total noncurrent liabilities	**10,652,802**	**8,122,848**
Deferred inflows of resources		
Deferred inflows - pensions	89,996	155,712
Total deferred inflows of resources	**89,996**	**155,712**
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**13,328,284**	**10,414,677**
Net position		
Net investment in capital assets	38,371,717	37,158,287
Unrestricted - undesignated	7,963,100	9,749,578
Unrestricted - designated	1,269	2,194
Total net position	**46,336,086**	**46,910,059**
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 59,664,370**	**$ 57,324,736**

LEAVENWORTH WATERWORKS BOARD

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the years ended December 31,	2023	2022
Revenue		
City services billing fees	$ 362,828	$ 308,551
Water sales	7,091,054	7,106,137
Reconnect and service fees	85,363	119,434
Plumbing supply sales	10,977	8,882
Total revenue	**7,550,222**	**7,543,004**
Costs of production		
Pumping	729,134	747,594
Purification	537,202	443,785
Softening	789,210	608,896
General plant	1,480,436	1,366,851
Material	-	2,424
Total costs of production	**3,535,982**	**3,169,550**
Operating margin	4,014,240	4,373,454
Operating expenses		
Distribution	1,969,527	1,907,419
Administration	994,971	860,630
Depreciation and amortization	1,710,667	1,719,374
Total operating expenses	**4,675,165**	**4,487,423**
Operating loss	(660,925)	(113,969)
Nonoperating revenue (expenses)		
Income from investments	282,217	83,603
Miscellaneous revenue, net of expenses	(39,685)	98,729
Loss on bad debts	-	(6,340)
Rent income	25,667	25,042
Interest on meter deposits	(27,780)	(1,064)
Loan issuance expense	(8,503)	-
Loan interest expense	(148,347)	(154,968)
Subscription asset interest	(1,025)	-
Gain on disposal of assets	4,408	9,261
Total nonoperating revenue (expenses)	**86,952**	**54,263**
Loss before capital contributions	(573,973)	(59,706)
Patron capital contributions	-	162,304
Change in net position	(573,973)	102,598
Net position, beginning of year	46,910,059	46,807,461
Net position, end of year	**$ 46,336,086**	**$ 46,910,059**

LEAVENWORTH WATERWORKS BOARD

STATEMENTS OF CASH FLOWS

For the years ended December 31,	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 7,423,748	$ 8,147,892
Cash paid to employees and suppliers	(5,904,956)	(6,804,906)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,518,792	1,342,986
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds received for water tank project	2,690,655	-
Net activity of investments	(160,567)	425,200
Purchase of certificates of deposit	(1,500,000)	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,030,088	425,200
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from the sale of assets	16,000	8,000
Purchase of capital assets	(2,664,724)	(1,204,571)
Patron contributions	-	162,304
Principal payments on long-term debt	(279,867)	(279,370)
Rent income	25,667	25,042
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(2,902,924)	(1,288,595)
Net increase (decrease) in cash and cash equivalents	(354,044)	479,591
Cash and cash equivalents, beginning of year	781,674	302,083
Cash and cash equivalents, end of year	**$ 427,630**	**$ 781,674**

LEAVENWORTH WATERWORKS BOARD

STATEMENTS OF CASH FLOWS

Reconciliation of operating income to net cash provided by operating results	**2023**	**2022**
Operating loss	$ (660,925)	$ (113,969)
Adjustments to reconcile operating income to: net cash provided by operating activities:		
Depreciation and amortization	1,710,667	1,719,374
(Increase) decrease in operating assets:		
Accounts receivable	(93,129)	518,839
Inventory	78,772	(179,541)
Prepaid expenses	30,034	(24,040)
Deferred outflows	49,759	(231,289)
Subscription assets	(101,981)	-
Increase (decrease) in operating liabilities:		
Accounts payable	87,430	(278,841)
Accrued expenses	(9,374)	(8,891)
Accrued employee benefits	(14,867)	(57,389)
Meter deposits	(3,652)	11,681
Accrued interest on meter deposits	14,582	(1,993)
Accrued sludge removal	264,850	(280,222)
Net pension liability	125,867	714,902
Deferred inflows	(65,716)	(445,635)
Subscription liabilities	106,475	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$ 1,518,792**	**$ 1,342,986**

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 statements of net position and the statements of revenues, expenses and changes in net position) report all information on the activities of the Board.

The statements of revenues, expenses and changes in net position demonstrate 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, 2023 and 2022, 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.

Statements of cash flows
Statements of cash flows are presented in accordance with Governmental Accounting Standards Board Statement No. 9 for the proprietary fund. For purposes of the statements 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, 2023, the Board's cash was deposited in demand accounts, Kansas Municipal Investment Pool (KMIP) and certificates of deposits held by different financial institutions. The Board records investments in money market interests, including certificates of deposit, at cost plus any accrued interest.

Prepaid expenses
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.

Capital assets 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. Write-offs for fiscal years 2023 and 2022 were $0 and $6,340, or 0% and 0.0892% of Water Sales Revenue, respectively. The industry average for write-offs is between 3 – 5%.

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, 2023 and 2022, the Board's liability for accumulated compensated absences totaled $342,185 and $356,243, respectively. This balance is included in accrued employee benefits on the statements of net position.

Deferred outflows and inflows of resources

In addition to assets, the statements 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 statements 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 within 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 torts; 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, 2023 and 2022. 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, 2023, the Board's carrying amount of cash and investments (including certificates of deposit accounts) totaled $12,413,623. The bank balance of $6,350,404 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, 2023, 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, 2023, are as follows:

Investment Type	Rating	Percentage
Certificates of deposit		
Exchange Bank & Trust	Not Available	5.3%
Mutual Savings Association	Not Available	10.5%
Citizens Savings & Loan Assoc.	Not Available	12.6%
Commerce Bank	Not Available	4.5%
Country Club Bank	Not Available	15.5%
Kansas Municipal Investment Pool	Not Available	46.9%
U.S. Treasury STRIPS	Not Available	4.7%

At December 31, 2023 and 2022, the Board had funds totaling $5,620,439 and $4,024,174, 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, 2023, the Board had the following investments and maturities, including certificates of deposits:

			Investment Maturities in
Investment Type	**Fair Value**	**Less than 1 year**	**1-5 years**
Certificates of deposit			
Exchange Bank & Trust	$ 640,423	$ 640,423	$ -
Mutual Savings Association	1,257,315	1,257,315	-
Citizens Savings & Loan Assoc.	1,509,352	1,509,352	-
Commerce Bank	537,423	537,423	-
Country Club Bank	1,862,786	642,994	1,219,792
Other investments			
Kansas Municipal Investment Pool	5,620,439	5,620,439	-
U.S. Treasury STRIPS	558,255	-	558,255
	$ 11,985,993	**$ 10,207,946**	**$ 1,778,047**

At December 31, 2022, 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	$ 635,739	$ 635,739	$ -
Mutual Savings Association	1,209,087	1,209,087	-
Citizens Savings & Loan Assoc.	1,462,822	292,638	1,170,184
Commerce Bank	535,685	535,685	-
Country Club Bank	1,848,593	1,848,593	-
Other investments			
Kansas Municipal Investment Pool	4,024,174	4,024,174	-
U.S. Treasury STRIPS	549,512	-	549,512
	$ 10,265,612	**$ 8,545,916**	**$ 1,719,696**

6. CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2023 and 2022, is as follows:

	December 31, 2022	Increases	Decreases	December 31, 2023
Capital assets, not being depreciated				
Real estate	$ 818,410	$ 2,263	$ -	$ 820,673
Construction in progress	498,790	1,796,520	350,844	1,944,466
Other assets	577,390	376,598	222,400	731,588
Total capital assets, not being depreciated	**1,894,590**	**2,175,381**	**573,244**	**3,496,727**
Capital assets, being depreciated				
Administrative				
Office Building	610,834	-	2,263	608,571
Furniture and equipment	114,206	-	7,893	106,313
Office computer system	556,919	76,923	1,947	631,895
Administrative car	21,101	-	-	21,101
Distribution				
System	35,377,872	484,657	-	35,862,529
Center	878,258	-	193,128	685,130
Booster station	254,163	10,254	26,325	238,092
Pilot Knob Cottage	190,460	-	-	190,460
Tools and equipment	1,224,776	63,399	61,120	1,227,055
Trucks	425,756	-	50,725	375,031
Furniture and equipment	2,420	50	-	2,470
Computer system	18,053	2,066	-	20,119
North Plant				
Buildings and equipment	4,735,520	226,080	215,447	4,746,153
Softening equipment	579,527	29,303	-	608,830
Intake building	1,651,604	-	323,820	1,327,784
Computer system	798,875	63,983	293,934	568,924
Tools and equipment	105,095	-	4,052	101,043
Trucks	22,732	-	-	22,732
Furniture and equipment	5,251	-	1,711	3,540
Purification	2,915,989	95,660	-	3,011,649
South Plant				
Buildings and equipment	7,777,315	192,946	420,769	7,549,492
Lagoons	329,159	-	10,989	318,170
Wells	8,795,100	42,888	-	8,837,988
Computer system	514,073	63,982	-	578,055
Tools and equipment	118,975	-	14,196	104,779
Trucks	46,872	6,900	-	53,772
Furniture and equipment	12,018	-	-	12,018
Purification	2,464,946	69,234	200	2,533,980
Pumping	742,925	-	-	742,925
Softening equipment	468,041	-	56,219	411,822
Hwy 5 Building and equipment	19,430	31,782	-	51,212
Total capital assets, being depreciated	**71,778,265**	**1,460,107**	**1,684,738**	**71,553,634**

Less accumulated depreciation for				
Administrative				
Office Building	547,992	7,408	-	555,400
Furniture and equipment	113,829	377	7,893	106,313
Office computer system	495,648	23,010	1,946	516,712
Administrative car	21,101	-	-	21,101
Distribution				
System	8,629,864	600,125	-	9,229,989
Center	573,910	17,545	33,981	557,474
Booster station	226,837	6,421	26,325	206,933
Pilot Knob Cottage	89,014	12,092	-	101,106
Tools and equipment	969,341	75,314	60,794	983,861
Trucks	240,415	42,696	46,074	237,037
Furniture and equipment	2,463	7	-	2,470
Computer system	11,253	3,642	-	14,895
North Plant				
Buildings and equipment	3,626,489	141,154	22,446	3,745,197
Softening equipment	458,366	14,981	-	473,347
Intake building	1,188,447	41,887	299,182	931,152
Computer system	622,648	53,012	293,933	381,727
Tools and equipment	90,550	3,654	4,052	90,152
Trucks	22,732	-	-	22,732
Furniture and equipment	4,451	233	1,710	2,974
Purification	2,145,165	76,031	-	2,221,196
South Plant				
Buildings and equipment	5,354,841	169,102	420,768	5,103,175
Lagoons	231,109	7,185	8,425	229,869
Wells	1,855,202	198,037	-	2,053,239
Computer system	339,447	53,231	-	392,678
Tools and equipment	72,135	6,889	14,196	64,828
Trucks	46,872	6,900	-	53,772
Furniture and equipment	9,561	398	-	9,959
Purification	1,773,049	76,291	170	1,849,170
Pumping	170,539	40,707	-	211,246
Softening equipment	153,913	25,245	18,878	160,280
Hwy 5 Building and equipment	8,141	1,142	-	9,283
Total accumulated depreciation	**30,095,324**	**1,704,716**	**1,260,773**	**30,539,267**
Total capital assets, being depreciated, net	**41,682,941**	**(244,609)**	**423,965**	**41,014,367**
Total capital assets, net	**$ 43,577,531**	**$ 1,930,772**	**$ 997,209**	**$ 44,511,094**

	December 31, 2021	Increases	Decreases	December 31, 2022
Capital assets, not being depreciated				
Real estate	$ 820,673	$ 4,130	$ 6,393	$ 818,410
Construction in progress	156,714	342,076	-	498,790
Other assets	403,574	173,816	-	577,390
Total capital assets, not being depreciated	**1,380,961**	**520,022**	**6,393**	**1,894,590**
Capital assets, being depreciated				
Administrative				
Office Building	610,834	-	-	610,834
Furniture and equipment	114,206	-	-	114,206
Office computer system	556,919	-	-	556,919
Administrative car	21,101	-	-	21,101
Distribution				
System	35,377,872	-	-	35,377,872
Center	621,441	256,817	-	878,258
Booster station	254,163	-	-	254,163
Pilot Knob Cottage	190,460	-	-	190,460
Tools and equipment	1,216,441	8,335	-	1,224,776
Trucks	408,710	41,162	24,116	425,756
Furniture and equipment	2,420	-	-	2,420
Computer system	18,053	-	-	18,053
North Plant				
Buildings and equipment	4,697,845	90,274	52,599	4,735,520
Softening equipment	579,527	-	-	579,527
Intake building	1,651,604	-	-	1,651,604
Computer system	796,380	2,495	-	798,875
Tools and equipment	105,095	-	-	105,095
Trucks	22,732	-	-	22,732
Furniture and equipment	5,251	-	-	5,251
Purification	2,912,293	3,696	-	2,915,989
South Plant				
Buildings and equipment	7,508,715	268,600	-	7,777,315
Lagoons	329,159	-	-	329,159
Wells	8,795,100	-	-	8,795,100
Computer system	514,073	-	-	514,073
Tools and equipment	118,975	-	-	118,975
Trucks	46,872	-	-	46,872
Furniture and equipment	12,018	-	-	12,018
Purification	2,464,946	-	-	2,464,946
Pumping	742,925	-	-	742,925
Softening equipment	438,738	29,303	-	468,041
Hwy 5 Building and equipment	8,050	11,380	-	19,430
Total capital assets, being depreciated	**71,142,918**	**712,062**	**76,715**	**71,778,265**

Less accumulated depreciation for				
Administrative				
Office Building	547,095	7,290	6,393	547,992
Furniture and equipment	111,833	1,996	-	113,829
Office computer system	480,719	14,929	-	495,648
Administrative car	21,101	-	-	21,101
Distribution				
System	8,033,104	596,760	-	8,629,864
Center	556,405	17,505	-	573,910
Booster station	220,437	6,400	-	226,837
Pilot Knob Cottage	76,722	12,292	-	89,014
Tools and equipment	890,610	78,731	-	969,341
Trucks	225,811	38,720	24,116	240,415
Furniture and equipment	2,463	-	-	2,463
Computer system	7,955	3,298	-	11,253
North Plant				
Buildings and equipment	3,484,572	149,824	7,907	3,626,489
Softening equipment	445,899	12,467	-	458,366
Intake building	1,139,794	48,653	-	1,188,447
Computer system	570,318	52,330	-	622,648
Tools and equipment	85,550	5,000	-	90,550
Trucks	22,732	-	-	22,732
Furniture and equipment	4,021	430	-	4,451
Purification	2,055,106	90,059	-	2,145,165
South Plant				
Buildings and equipment	5,189,435	165,406	-	5,354,841
Lagoons	222,004	9,105	-	231,109
Wells	1,649,490	205,712	-	1,855,202
Computer system	286,612	52,835	-	339,447
Tools and equipment	64,170	7,965	-	72,135
Trucks	46,872	-	-	46,872
Furniture and equipment	9,162	399	-	9,561
Purification	1,697,041	76,008	-	1,773,049
Pumping	129,831	40,708	-	170,539
Softening equipment	129,374	24,539	-	153,913
Hwy 5 Building and equipment	8,046	95	-	8,141
Total accumulated depreciation	**28,414,284**	**1,719,456**	**38,416**	**30,095,324**
Total capital assets, being depreciated, net	**42,728,634**	**(1,007,394)**	**38,299**	**41,682,941**
Total capital assets, net	**$ 44,109,595**	**$ (487,372)**	**$ 44,692**	**$ 43,577,531**

Depreciation and amortization expense for the years ended December 31, 2023 and 2022, was $1,710,667 and $1,719,374, 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 Annual Comprehensive 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.

Benefits

Benefits are established by statute and may only be changed by the Legislature. Members (except Police and Firemen) with ten or more years of credited service, may retire as early as age 55 (Police and Firemen may be age 50 with 20 years of credited service), 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 credited service equal 85 "points" (Police and Firemen normal retirement ages are age 60 with 15 years of credited service, age 55 with 20 years, age 50 with 25 years, or any age with 36 years of service).

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 postretirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas.

The 2012 Legislature made changes affecting new hires, current members and employers. A new cash balance retirement plan (KPERS 3) was created for new hires starting after January 1, 2015. 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 contribution rates 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 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 the 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 8.43%. Member contribution rates as a percentage of eligible compensation in fiscal year 2023 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 actuarially 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 System maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the 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, 2023, 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, 2023. 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, 2023, the Board's proportion was 0.100545%, which was an increase of 0.000775 from its proportion measured as of June 30, 2022.

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, 2023, the outstanding balance was $1,667,032. These payments are due over various time periods up through December 31, 2032.

Actuarial assumptions

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

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	7.00 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 most recent experience study, dated January 7, 2020, as provided by KPERS' investment consultant, are summarized in the following table:

Asset Class	Long-term Target Allocation	Long-term expected real rate of return
U.S. Equities	23.50 %	5.20 %
Non-U.S. Equities	23.50 %	6.40 %
Private Equity	8.00 %	9.50 %
Private 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 was 7.00 percent. The projection of cash flows used to determine the discount rate was based on member and employer contributions as outlined below. In KPERS, the Local, Kansas Police and Firemen, and Judges groups are contributing at the full actuarial contribution rate. However, the State/School groups do not necessarily do so.

Based on legislation first passed in 1993, the employer contribution rates certified by KPERS Board may not increase by more than the statutory cap. Subsequent legislation in 2012 set the statutory cap at 0.90 percent for Fiscal Year 2014, 1.00 percent for Fiscal Year 2015, 1.10 percent for Fiscal Year 2016 and 1.20 percent for Fiscal Years 2017 and beyond.

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

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

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

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

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

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

The 2021 Legislature passed H.B. 2405, which authorizes the state of Kansas to issue bonds with net proceeds of $500.0 million to fund a portion of the School's unfunded actuarial liability. S.B. 159 recertified the State/School contribution rates for Fiscal Years 2022 and 2023. Fiscal Year 2022 was recertified from 14.09 percent to 13.33 percent and Fiscal Year 2023 from 13.86 percent to 13.11 percent. The bond proceeds were received by KPERS on August 26, 2021.

The 2022 Legislature passed S.B. 421, which authorized the state of Kansas to transfer $1.125 billion from the State General Fund directly to KPERS in Fiscal Years 2022 and 2023. The first $253.9 million pays off the

outstanding accounts receivable for KPERS-School employer contributions withheld in Fiscal Year 2017 and Fiscal Year 2019, discussed previously, while the remaining $871.1 million is applied to the KPERS-School unfunded actuarial liability. In Fiscal Year 2022, $600.0 million was transferred to the System. S.B. 421 authorized two additional transfers totaling $271.1 million in Fiscal Year 2023 (reflected in the projected cash flows of the System).

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

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Pension Plan as of June 30, 2023, calculated using the discount rate of 7.00 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 (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate:

1% Decrease 6%	Discount Rate 7%	1% Increase 8%
$ 3,024,566	$ 2,109,339	$ 1,346,858

Collective deferred outflows and inflows of resources

The following table provides the combined deferred outflows/(inflows), as of June 30, 2023, that will be recognized in pension expense in future years:

Deferred Outflows of Resources		
Difference between expected and actual difference	$	175,347
Net difference between projected and actual earnings on pension plan investments pension plan investments		123,197
Changes in assumptions		223,561
Changes in proportion		25,049
Total		**547,154**
Deferred Inflows of Resources		
Difference between expected and actual difference		297
Changes in proportion		89,699
Total		**89,996**
Net deferred outflows (inflows) of resources	**$**	**457,158**

An amount of $98,460 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, 2023.

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,	Inflows/Outflows
2024	$ 155,293
2025	72,169
2026	193,194
2027	35,522
2028	980
	$ 457,158

Pension expense

For the year ended December 31, 2023 and 2022, the Board recognized pension expense of $298,246 and $225,256, 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 $148,347.

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

2023

	Balance at beginning of year	Proceeds	Payments	Balance at end of year
Kansas Public Water Supply Loan Fund	$ 6,419,244	$ -	$ 279,867	$ 6,139,377

2022

	Balance at beginning of year	Proceeds	Payments	Balance at end of year
Kansas Public Water Supply Loan Fund	$ 6,698,614	$ -	$ 279,370	$ 6,419,244

The annual debt service requirements to maturity as of December 31, 2023 are as follows:

	2024	2025	2026	2027	2028	2029-2033	2034-2038	2038-2041	Total
Principal	$ 286,568	$ 293,429	$ 300,454	$ 307,648	$ 315,013	$ 1,691,873	$ 1,904,336	$ 1,040,055	$ 6,139,377
Interest and fees	144,422	137,561	130,536	123,343	115,977	463,080	250,616	37,423	1,402,958
Total	**$ 430,990**	**$ 430,990**	**$ 430,990**	**$ 430,991**	**$ 430,990**	**$ 2,154,953**	**$ 2,154,953**	**$ 1,077,478**	**$ 7,542,335**

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 236% for the year ended December 31, 2023.

In March 2022, the Board obtained a loan agreement with the Kansas Public Water Supply Loan Fund for

$5,800,000 with interest and services fees of 1.34%. In January 2023, the loan was amended and increased to $7,000,000 with no change to service fees. During 2023 and 2022, no draw downs on the loan occurred and there was no balance due on the loan.

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, 2023 and 2022, the accrued sludge removal totaled $303,850 and $39,000, respectively.

Well treatment expenses

At December 31, 2023 and 2022, accrued well treatment expenses were $156,138 and $166,635, respectively.

10. COMMITMENTS

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

11. RECENTLY ADOPTED ACCOUNTING PRONOUCEMENTS

GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangement,* which provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). GASB Statement No. 96 defines a SBITA, requires the recognition of a right-to-use subscription asset and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments including implementation costs of a SBITA, and requires note disclosures regarding SBITAs. GASB Statement No. 96 is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The Board implemented GASB Statement No. 96 as of January 1, 2023. No changes were necessary as a result of this implementation. As noted in Note 12, the Board did enter into a SBITA during the year ended December 31, 2023.

As of December 31, 2023, GASB has issued a statement that is not yet effective for Leavenworth Waterworks Board and has not yet been implemented but will impact Leavenworth Waterworks Board's financial statements. The statement is as follows:

GASB issued Statement No. 101, *Compensated Absences,* which provides guidance on unified recognition and a measurement model that will more appropriately reflect when a government incurs an obligation for compensated absences. GASB Statement No. 101 is effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

12. SUBSCRIPTION-BASED IT ARRANGEMENTS

The Board has entered into subscription-based information technology arrangements (SBITAs) involving a cloud-based customer portal and credit card processing software. The total costs of the Board's subscription assets are recorded at $135,975 less accumulated amortization of $33,994.

The future subscription payments under the SBITA agreement are as follows:

Year Ending December 31,	Principal	Interest	Total
2024	$ 30,395	$ 1,824	$ 32,219
2025	30,420	940	31,360
Total	**$ 60,815**	**$ 2,764**	**$ 63,579**

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 5, 2024, the date the financial statements were available to be issued.

The first disbursement of the additional Kansas Public Water Supply Loan Fund for $7,000,000 was received on January 17, 2024, and loan payments commenced.

REQUIRED SUPPLEMENTARY INFORMATION

LEAVENWORTH WATERWORKS BOARD

REQUIRED SUPPLEMENTARY INFORMATION

December 31,	2023	2022	2021	2020	2019
Proportionate share of the net pension liability	0.101 %	0.100 %	0.106 %	0.112 %	0.107 %
Proportionate share of the net pension liability	$ 2,109,339	$ 1,983,472	$ 1,268,570	$ 1,941,554	$ 1,488,816
Covered-employee payroll	$ 2,188,931	$ 2,102,588	$ 2,017,045	$ 2,122,430	$ 2,127,993
Proportional share of the net pension liability as a percentage of covered payroll	96.36 %	94.33 %	62.89 %	91.48 %	69.96 %
Plan fiduciary net position as a percentage of the total pension liability	70.70 %	69.75 %	76.40 %	66.30 %	69.88 %

December 31,	2018	2017	2016	2015
Proportionate share of the net pension liability	0.00117	0.00109	0.00114	0.00114
Proportionate share of the net pension liability	$ 1,641,912	$ 1,577,643	$ 1,760,411	$ 1,498,026
Covered-employee payroll	$ 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	75.15 %	75.68 %	91.21 %	80.22 %
Plan fiduciary net position as a percentage of the total pension liability	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 %
December 31, 2022	178,166	178,166	-	2,102,588	8.47 %
December 31, 2023	189,077	189,077	-	2,188,931	8.64 %

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

SUPPLEMENTARY INFORMATION

LEAVENWORTH WATERWORKS BOARD

ADDITIONAL INFORMATION

SCHEDULE OF COSTS OF PRODUCTION	2023	2022
Pumping costs		
Utilities	$ 539,553	$ 558,654
Repairs	98,855	113,748
Insurance	90,726	75,192
Total pumping costs	729,134	747,594
Purification costs		
Chemicals	424,136	350,505
Repairs to equipment	87,406	75,857
Water analysis	24,684	11,687
Other expense	976	5,736
Total purification costs	537,202	443,785
Softening costs		
Chemicals	453,271	393,167
Sludge removal - lagoons	264,849	155,550
Repairs to equipment	71,090	60,179
Total softening costs	789,210	608,896
General plant costs		
Operators salaries	992,924	884,555
Payroll expense	380,171	321,039
Repairs	92,616	104,922
Other	14,725	56,335
Total general plant costs	1,480,436	1,366,851
Material costs	-	2,424
Total costs of production	$ 3,535,982	$ 3,169,550

LEAVENWORTH WATERWORKS BOARD

ADDITIONAL INFORMATION

SCHEDULE OF DISTRIBUTION AND ADMINISTRATION EXPENSES	2023	2022
Distribution expense before depreciation		
Salaries	$ 841,334	$ 848,632
Repairs - booster, mains, valves, lines, and meters	562,394	598,236
Payroll expense	308,535	259,567
Insurance	54,839	46,520
Utilities	41,716	39,989
Building maintenance and supplies	32,292	37,343
Truck and heavy equipment expense	18,759	25,392
Training, dues, and subscriptions	26,316	15,399
Miscellaneous	6,481	9,229
Small tools and equipment expense	22,412	9,752
Uniforms	6,849	7,782
Terminated service	47,551	9,546
Travel	49	34
Total distribution expense before depreciation	$ 1,969,527	$ 1,907,419
Administration expense before depreciation		
Salaries	$ 408,187	$ 373,760
Computer and technology expense	146,713	126,239
Payroll expense	163,205	120,549
Office expense	100,197	95,324
Legal and professional services	41,588	49,055
Utilities - office	40,292	25,734
Training, dues, and subscriptions	26,396	19,903
Insurance and fidelity bonds	21,986	19,066
Repairs	18,131	14,643
Miscellaneous	27,594	15,863
Traveling expense	682	493
Total administration expense before depreciation	$ 994,971	$ 860,630

LEAVENWORTH WATERWORKS BOARD

ADDITIONAL INFORMATION

SCHEDULE OF INVESTMENTS		Balance 12/31/2022		Net Additions		Balance 12/31/2023
Certificates of Deposit	$	5,691,926	$	115,373	$	5,807,299
Kansas Municipal Investment Pool		4,024,174		1,596,265		5,620,439
U.S. Treasury STRIPS		549,512		8,743		558,255
Accrued Interest		7,470		3,189		10,659
Total	$	10,273,082	$	1,723,570	$	11,996,652