RURAL WATER DISTRICT NO. 1
WASHINGTON COUNTY, KANSAS
HANOVER, KANSAS

Financial Statements

With

Independent Auditors' Report

DECEMBER 31, 2023

BRUNA AUDITING SERVICES LLC
DEREK BRUNA
CERTIFIED PUBLIC ACCOUNTANT
WASHINGTON, KANSAS

RURAL WATER DISTRICT #1
WASHINGTON COUNTY, KANSAS
HANOVER, KANSAS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Washington County Rural Water District No. 1
Hanover, Kansas 66945

Opinions

I have audited the accompanying financial statements of Washington County Rural Water District No. 1 (WCRWD No. 1) as of and for the year ended December 31, 2023, and the related Statement of Revenues, Expenses, and Changes in Net Position, and Cash Flow for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of December 31, 2023, and the respective changes in financial position, results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the District, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery,

intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

I am 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 I 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 information on pages 3 through 6 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 Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 management's response to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the budgetary comparison, that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinions on the basic financial statements are not affected by this missing information.

Bruna Auditing Services LLC

Derek Bruna, CPA

Washington, Kansas

February 12, 2024

WASHINGTON COUNTY RURAL WATER DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023

This section of the Washington County Rural Water District No. 1's annual financial report presents analysis of the Districts' financial performance during the fiscal year ended on December 31, 2023. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this M*anagement Discussion and Analysis* report, the B*asic Financial Statements* and the N*otes to the Financial Statements*. The District's financial statements are presented as one fund level financial statements because the District operates with a single fund.

Required Financial Statements

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. The District uses accrual accounting practices. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the District's creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Position. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This MD&A should be used concurrently with financial statements taken as a whole.

FINANCIAL HIGHLIGHTS AND ANALYSIS

Please refer to the attached table which shows a Condensed Statement of Net Position and Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position.

Net position may serve, over time, as a useful indicator of a government's financial position. The Statement of Net Position has been prepared implementing GASB 63 and 65. Net position represents the difference between assets and liabilities. In the case of the District, the total net position as of year ended December 31, 2023 was $2,609,514. The net position is comprised of Net Investment in Capital Assets of $1,715,771, Restricted Bond Reserves of $47,000 and Unrestricted Amounts of $683,014. This represents an increase of $139,288 from the previous year-end of $2,470,226 or 5.64%. This is due to strong operations once again by the district.

Current assets decreased slightly by 2.19%. The District had several capital expenditures and used cash from reserves to make the purchases. The total assets increased 3.78%. Operating revenues increased and correspondingly

operating expenses increased and the net income before contributions increased $5,289. It's good to see a direct relationship between the two and see net income still climb. Accounts receivable have stayed relatively constant which shows management is staying on top of billing and doing a good job of collecting.

Current liabilities were virtually unchanged, as the current portion of debt payment was similar year to year. Long term liabilities were down again because the annual payment for the bond had been made again.

Unrestricted amounts of net position were $683,014, down from $707,455. This number because of the profit of operations and the invested in capital. The district had healthy operations but purchased $250,567 in tank/system improvements. The net invested in capital assets increased as the debt was reduced and the amount of assets capitalized. It is good to see the performance of the district being reflected in the net position. With good operations, you would expect the net position to increase. Again, the expenditures the District incurred in the past are paying off in the efficiency of the operations continues to show positive trends. Unrestricted amounts of net position represent the amount available to be used to meet the District's ongoing obligations to creditors and operations of facilities. The District has sufficient funds to meet requirements for cash outlays in the next fiscal years as well as the financial capacity to sustain operations. At the end of the current fiscal year, the District is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal years.

A large portion of the District's net position reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The District uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending. The Net Investments in Capital Assets increased this fiscal year. Depreciation/amortization expense was $126,839 and the district capitalized assets in the amount of $250,567 for this year. The District has numerous long term assets scheduled that run their course annually on the appropriate depreciation schedules. Please see the Condensed Tables as well as Table 1 in the Notes for a breakdown of the capital assets being utilized by the District. The assets purchased were system and tank improvements.

While the Statement of Net Position shows the change in financial position of assets, the Statements of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes.

The profit for the District was $97,402 for the year ended December 31, 2022 and $102,691 for 2023, which includes depreciation expense. The interest expense of $6895 for 2022 and $6920 for 2023 was paid in accordance with bond. Interest expense will be similar in the years to come. The District has continued to make its Bond payments on time.

The statement of cash flows shows a decrease in cash and equivalents of $47,334. The ending cash in the statement of cash flows is $529,905.

Another payment for the 2019 Series A Bonds was made this year. More information regarding the bond can be found in Note Table 2 of the notes to the financial statements.

CAPITAL ASSET

Capital Assets – The Water District's investment in capital assets as of December 31, 2022 amounts to $2,075,771 and $2,199,500 for 2023 (net of accumulated depreciation). This increased as depreciation expense was less than the assets capitlized. This investment in capital assets includes land, buildings, improvements, equipment well fields, projects and construction in progress.

Additional information on the District's capital assets can be found in Note A and Table 1 of the notes to the financial statements of this report.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Mr. Darryl Schlabach, Washington County Rural Water District No. 1, 101 S Bern Street, Hanover, KS 66945.

FINANCIAL ANALYSIS - 2023

CONDENSED STATEMENTS OF NET POSITION

	FY 2023	FY 2022	Dollar Change	Percent Change
Current/other assets	$ 742,284	$ 758,942	$ -16,658	-2.19%
Capital assets	2,199,500	2,075,771	123,729	5.96%
Total Assets	2,941,784	2,834,713	107,071	3.78%
Current/other liabilities	52,270	44,487	7,783	17.49%
Long Term liabilities	280,000	320,000	-40,000	-12.50%
Total Liabilities	332,270	364,487	-32,217	-8.84%
Net Position				
Net Invested in capital assets	1,879,500	1,715,771	163,729	9.54%
Restricted	47,000	47,000	0	0.00%
Unrestricted	683,014	707,455	-24,441	-3.45%
Total Net Assets	$ 2,609,514	$ 2,470,226	$ 139,288	5.64%

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	FY 2023	FY 2022	Dollar Change	Percent Change
Revenues				
Operations	$ 770,024	$ 679,615	$ 90,409	13.30%
Other	8,974	7,343	1,631	22.21%
Total Revenues	778,998	686,958	92,040	13.40%
Expenses				
Depreciation	126,839	128,633	-1,794	-1.39%
Operating	549,468	460,923	88,545	19.21%
Total Expenses	676,307	589,556	86,751	14.71%
Excess (deficiency) before contributions	102,691	97,402	5,289	5.43%
Changes in Net Position	102,691	97,402	5,289	5.43%
Beginning net position	2,470,226	2,360,494	109,732	4.65%
Capital Contributed, Adjust/Benefit Unit	36,597	12,330	24,267	196.81%
Ending net position	$ 2,609,514	$ 2,470,226	$ 139,288	5.64%

WASHINGTON CO. RURAL WATER DISTRICT #1
STATEMENT OF NET POSITION
December 31, 2023

ASSETS		
CURRENT ASSETS		
United Bank And Trust MMDA	$	0
Bank of Palmer CD 160K		0
Bank of Palmer CD		0
Citizens State Bank-2019 CD		208,458
Citizens State Bank		(13,941)
Citizens State Bank-CD		235,356
Citizens State Bank-2023 CD		100,000
Petty Cash		32
Accounts Receivable		25,471
Other Receivable		0
Inventories		134,500
Prepaid Expenses		3,997
Prepaid Insurance		48,411
TOTAL CURRENT ASSETS	$	**742,284**
CAPITAL ASSETS		
Equip & Water System: River Crossing	$	161,503
Equip & Water System: Well Field		1,221,450
Equip & Water System: Equip & Water Systems		4,595,575
Equip & Water System: Land & Easements		99,362
Equip & Water System: Office & Shop Building		193,029
Equip & Water System: Office Furniture & Equipment		22,407
Equip & Water System: Vehicles		231,765
Bond Issuance Cost		42,698
Accumulated Amortization Depreciation		(20,444)
Accumulated Depreciation-Equipment and Water System		(3,605,283)
Accumulated Depreciation-Office & Shop Building		(74,639)
Accumulated Depreciation- Office Furniture & Equipment		(22,407)
Accumulated Depreciation-River Crossing		(49,916)
Accumulated Depreciation-Well Field		(387,121)
Accumulated Depreciation-Vehicles		(208,479)
NET CAPITAL ASSETS	$	**2,199,500**
TOTAL ASSETS	$	**2,941,784**
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Aflac Payable	$	53
Accounts Payable		2,228
Payroll Liabilities		6,766
Sales Tax Payable		1,168
Water Protection Payable		490
Bonds-Current Portion		40,000
Interest Payable		1,565
TOTAL CURRENT LIABILITIES	$	**52,270**
LONG-TERM LIABILITIES		
Bonds	$	280,000
TOTAL LONG-TERM LIABILITIES	$	**280,000**
TOTAL LIABILITIES	$	**332,270**
NET POSITION		
Invested in Capital Assets Net of Related Debt	$	1,879,500
Restricted		47,000
Unrestricted		683,014
TOTAL NET POSITION	$	**2,609,514**
TOTAL LIABILITIES AND NET POSITION	$	**2,941,784**

See accompanying notes to the financial statements

WASHINGTON CO. RURAL WATER DISTRICT #1
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023

OPERATING REVENUES		
Services	$	1,734
Collection Fees		100
Late Penalty		9,545
Maintenance Fee		211,359
Miscellaneous		18,276
Reading Meter		120
Transfer Fees		300
Water Sales		528,590
TOTAL SALES	$	**770,024**
OPERATING EXPENSES		
Metron-Farnier. LLC-units	$	26,463
MASA		480
IDT		762
Auditing, Geologists & Legal		5,025
Bank Charges		158
Chemicals		26,381
Depreciation/Amorization		126,839
Dues		669
Equipment: Mantenance/Repairs		8,693
Equipment: Machinery Upgrade		0
Equipment: Fuel		5,541
Insurance		46,448
Leak Reporting		70
Lease		2,450
Meeting Expense		8,896
Mileage		0
Miscellaneous Expense		151
Office Expense		9,239
Payroll Expenses (Tax, KPERS)		38,096
Postage		211
Preventative Maintenance		1,601
Pump Reading		1,400
Radio Expense		591
Repairs & Maintenance: Mowing		6,386
Repairs & Maintenance: Other		48,511
Salaries		221,930
Shop Expense		14,656
Supplies		3,755
Tank Maintenance		0
Taxes: Clean Drinking Water Fee		1,767
Truck Expense		15,499
Utilities: Electricity		47,166
Utilities: Propane		705
Utilities: Telephone: Darrell's Cell		282
Utilities: Telephone: Office		2,194
Utilities: Trash		520
Utilities: Water & Sewer		804
Water Testing		1,968
TOTAL OPERATING EXPENSES	$	**676,307**
NET INCOME FROM OPERATIONS	$	**93,717**
OTHER INCOME (EXPENSE)		
Farm	$	4,500
Farm Taxes & Repairs		(1,187)
Interest Expense		(6,920)
Interest Income: Citizens State Bank		7,988
Retailers Sales Tax		(623)
Interest Income: Other		5,216
TOTAL OTHER INCOME (EXPENSE)	$	**8,974**
INCOME BEFORE CONTRIBUTIONS	$	**102,691**
CAPITAL CONTRIBUTIONS, ADJUSTMENT/BENEFIT UNIT		36,597
CHANGE IN NET POSITION		139,288
NET POSITION, BEGINNING OF PERIOD		**2,470,226**
NET POSITION, END OF PERIOD		**2,609,514**

See accompanying notes to the financial statements

WASHINGTON CO. RURAL WATER DISTRICT #1
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts From Customers	$	770,024
Other receipts farm		4,500
Cash payments for goods and services		(563,575)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITES		**210,949**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITES		
Cash payments for equipment, well field, intangible bond setup, etc.		(250,567)
Cash Paid For Interest		(6,920)
Cash received bond refinance		0
Cash received for equity adjustment, benefit unit		26,000
Cash payments for retiring bond debt		(40,000)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITES		**(271,487)**
CASH FLOWS FROM INVESTING ACTIVITES		
Interest received		13,204
NET CASH PROVIDED (USED) BY INVESTING ACTIVITES		**13,204**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(47,334)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		**577,239**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$	**529,905**

See accompanying notes to the financial statements

WASHINGTON CO. RURAL WATER DISTRICT #1
STATEMENT OF CASH FLOWS - CONTINUED
Year Ended December 31, 2023

RECONCILATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	$	
Operating income (loss)		93,717
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation		126,839
Change in assets and liabilities:		0
(increase) decrease in accounts receivable		(15,690)
(increase) decrease in other receivable		0
(increase) decrease in prepaid insurance		(7,737)
(increase) decrease in prepaid expenses		4,186
(increase) decrease in inventory		(11,556)
increase (decrease) in equity accounts		13,407
increase (decrease) in accounts/interest payable		7,783
NET CASH PROVIDED (USED) BY OPERATING ACTIVITES	**$**	**210,949**

See accompanying notes to the financial statements

RURAL WATER DISTRICT NO. 1
WASHINGTON COUNTY, KANSAS
Hanover, Kansas

NOTES TO FINANCIAL STATEMENTS
December 31, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Entity: Rural Water District No. 1, Washington County, Kansas (the District) is a water utility that provides service for domestic, agricultural, and other purposes to rural customers. The district was organized under Kansas law as a quasi-municipal corporation. The District's purpose is to acquire water and water rights, to build and acquire pipelines and other facilities, and to operate the same for the purpose of furnishing water to owners and occupants of land located within the District.

Summary of Significant Accounting Policies: *Basis of Presentation and Accounting* – The District's financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. The District has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply applicable GASB pronouncements, including GASB Statement No. 34, as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins, unless these pronouncements conflict with or contradict GASB pronouncements.

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net position, revenues, and expenses.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included in the Statement of Net Position. Net position (i.e. total assets net of total liabilities) are segregated into invested capital assets, net of related debt; restricted for debt service; and unrestricted components.

Management of the District has made certain estimates and assumptions relating to the reporting of assets, liabilities, revenues, and expenses to prepare these financial statements in conformity with generally accepted accounting principles. Actual results may differ from those estimates.

Accounts Receivable and Unbilled Revenue – The District utilizes cycle billing and accrues an estimated amount of revenues for sales unbilled at the end of each reporting period. The unbilled amount plus any amounts billed to customers but not yet received by The District is recorded as accounts receivable and water sales. All accounts receivable as of December 31, 2023 are considered collectible with a balance of $25,471

Inventories – Inventories consist primarily of meters, pipe and line maintenance material. Inventories are stated at the lower of cost or market. Cost is determined using the average cost method. As the materials are used, they are charged to the property or capitalized appropriately. The amount of inventory on the books for 2023 is $134,500.

Property and Equipment – The cost of additions to the District's plant, distribution system and other assets with an estimated useful life in excess of two years are capitalized. Cost includes materials, outside services and if applicable, interest on borrowed funds to finance construction. The District capitalized $250,567 during the fiscal year 2023. cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from

the disposal is credited or charged in the non-operating section of the statement of revenues, expenses, and changes in net position. Please refer to Table 1 for breakdown of capital assets and useful lives information.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

Debt Issue Costs – Costs related to the issuance of debt are amortized under the straight-line method over the life of the bonds.

Income Taxes – The District is a quasi-governmental unit, not subject to federal or state income taxes.

Capital Contributions – Transmission and distribution system assets contributed to the District are capitalized at the members' costs, which approximate fair value, and recorded as capital contributions when received. Benefit units, currently $26,000, are recorded as contributions when received.

Net Position – Net position comprise the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Invested in Capital Assets, Net of Related Debt – This component of net position consists of 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. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

RURAL WATER DISTRICT NO. 1
WASHINGTON COUNTY, KANSAS
Hanover, Kansas

NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Cash and Equivalents/ Investments: Cash includes all monies in the bank and highly liquid investments with maturity dates of less than three months. The carrying value of cash approximates fair value because of the short maturities of those instruments. Investments are stated at cost and consist of certificates of deposit which have an original maturity date longer than three months. All investments are in financial institutions insured by the FDIC. Investments in excess of $250,000 FDIC insurance are collaterized with bank instruments.

Total Citizens State Bank Accounts/CDS/Petty Cash $529,905 carrying amount of deposits

Accounts Payable: The carrying amount of accounts payable at the end of the year was $2228, Sales Tax Payable $1168, Water Protection Payable $490, and Payroll Accounts $6819.

Fair Value of Financial Instruments: "Disclosure about Fair Value of Financial Instruments," requires certain disclosures regarding the fair value of financial instruments. Cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, as shown in the financial statements at fair value because of the short-term maturity of these instruments, (which is also their carrying value.)

The Statement of Cash Flows was prepared with the Direct Method and a reconciliation of net income to net cash provided by operating activities has been provided.

The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The District distinguishes between operating and non-operating revenues and expenses in its Statement of Revenues, Expenses and Changes in Net Position. For this purpose, the District's operating revenues result from providing water to the benefit units on the grid, as well any fees associated with providing this. Operating expenses include the cost attributed to administration, client services, utilities, maintenance and operations and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Risk Management: The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters for which the District purchases commercial insurance. During the year ended December 31, 2023 the District did not reduce insurance coverage from levels in place during the prior year. No settlements have exceeded coverage levels in place during the past three fiscal years.

Prepaid balances are for payments made by the District in the current year to provide services occurring in the subsequent fiscal year and include but are not limited to fuel, prepaid insurance, engineering fees, etc.

Investment Income: Investment Income for the year ended December 31, 2023 was $13,204, which was all interest on bank deposits.

Revenues/Expenses: The major categories of revenue and expense items, water sales and activities, operating expenses, administrative expenses, etc. are shown separately on the face of the Statement of Revenues, Expenses and Changes in Fund Net Position.

NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Bond Payable: Please Refer to Management Discussion and Analysis and Table 2 for more information pertaining to Bond Issuance.

GASB 40 Disclosures

Custodial Credit Risk-This is the risk that in the event of a failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are held by the counterparty. All of the District's investments are held in the name of the District. The District is not subject to custodial credit risk as the deposits are covered by depository insurance.

Credit Risk- This is risk that an investment will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The District's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities.

Interest Rate Risk- As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment portfolio to short term investments. At year end, the District's deposits and investments were all invested in such accounts, and in fact are all current and liquid.

Concentration of Credit Risk-The entity is not subject to this risk even though all of its deposits are with the same banking institution because they are guaranteed through FDIC insurance. The balance of deposits in the bank are below the federal limit of $250,000.

Bond Reserve Account: Kansas Department of Health and Environment requires a 10% reserve account of the issuance of the bond. That amount is $47,000 and is shown as a restricted asset.

Use of Restricted/Unrestricted Net Assets: When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy is to apply restricted assets first.

Net revenues of the District have been pledged as security for the debt, and the District is required to have net revenues, as defined in the debt agreements, in each year of at least 125% of that year's principal and interest payment requirements. This requirement was met for the year ended December 31, 2023.

Defined Benefit Pension Plan

Plan description. The (non-school municipality) participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Annual Comprehensive Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS memberemployee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

NOTES TO FINANCIAL STATEMENTS
December 31, 2023

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate was 8.90% for the fiscal year ended December 31, 2022. Contributions to the pension plan from (non-school municipality) were $14,811 for the year ended December 31, 2023.

Net Pension Liability
At December 31, 2022, the (non-school municipality)'s proportionate share of the collective net pension liability reported by KPERS was $181,727. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021, which was rolled forward to June 30, 2022. The (non-school municipality)'s proportion of the net pension liability was based on the ratio of the (non-school municipality)'s contributions to KPERS, relative to the total employer and non- KMAAG (1/23) D-10 employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement. The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at www.kpers.org or can be obtained as described above.

Litigation: There is no pending litigation noted for the District as of the date the audit report was issued.

Subsequent Events: The financial statements considered subsequent events through February 12, 2024 the date the financial statements were available to be issued as management reviewed events through aforementioned date.

Compliance with Kansas Statutes: References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and legal representatives of the Water District. There were no apparent statutory violations during the year ended December 31, 2023.

Table 1

ASSET	LIFE
Buildings	33-50 Years
Water Transmission/Distribution System	33-40 Years
Equipment	6-10 Years
Vehicles	5 Years

2022 YEAR END	COST	ACCUMULATED DEPRECIATION	COST LESS DEPRECIATION
Equipment & Water Systems/Well Field/River Crossing	5,727,958	(3,938,123)	1,789,835
Land & Easements	99,362	0	99,362
Office & Shop Building	193,029	(70,778)	122,251
Office Furniture & Equipment	22,408	(22,369)	39
Vehicles	231,765	(191,870)	39,895
Bond Issuance Cost	42,698	(18,309)	24,389
TOTAL	$ 6,317,220	$ (4,241,449)	$ 2,075,771

2023 YEAR END	COST	ACCUMULATED DEPRECIATION	COST LESS DEPRECIATION
Equipment & Water Systems/Well Field/River Crossing	5,978,528	(4,042,320)	1,936,208
Land & Easements	99,362	0	99,362
Office & Shop Building	193,029	(74,639)	118,390
Office Furniture & Equipment	22,408	(22,408)	0
Vehicles	231,765	(208,479)	23,286
Bond Issuance Cost	42,698	(20,444)	22,254
TOTAL	$ 6,567,789	$ (4,368,289)	$ 2,199,500

Table 2

STATEMENT OF CHANGES IN LONG - TERM DEBT

Issue	Interest Rate	Amount of Issue	Date of Final Maturity	Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
Revenue Bond Series A 2019	1.4-2.1%	$ 470,000	10/1/2030	$ 360,000	$ 0	$ -$40,000	$ -$40,000	$ $320,000	$ $6,920

Schedule of Payments	2024	2025	2026	2027	2028	2029-2030
	$40,000	$40,000	$45,000	$45,000	45,000	$105,000

Total Remaining **$320,000**

	2020	2021	2022	2023
Total Paid	$40,000	$35,000	$35,000	$40,000

Total Paid **$150,000**