RURAL WATER DISTRICT NO. 3 JACKSON COUNTY

FINANCIAL STATEMENTS

For the Years Ending December 31, 2025 and 2024

This page intentionally left blank.

RURAL WATER DISTRICT NO. 3 JACKSON COUNTY

Financial Statements
For the Years Ending December 31, 2025 and 2024

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1 - 2
Basic Financial Statements:	
Statement of Net Position - Proprietary Fund	3
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	4
Statement of Cash Flows - Proprietary Fund	5
Notes to Financial Statements	6 - 17

GORDONCPA
AUDITING
ACCOUNTING
CONSULTING

4205 W 6th St Ste C
Lawrence, KS 66049

(785) 371-4847
cpagordon.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rural Water District No. 3
Jackson County, Kansas

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Rural Water District No. 3 Jackson County (the District), as of and for the years ending December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Rural Water District No. 3 Jackson County as of December 31, 2025 and 2024, and the respective changes in financial position and cash flows thereof for the years ending in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the *Kansas Municipal Audit and Accounting Guide*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve, collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Other Matters
Required Supplementary Information

Management has omitted management's discussion and analysis, the schedule of the District's proportionate share of the net pension liability and the schedule of the District's contributions to KPERS that accounting principles generally accepted in the United States of America require be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

March 12, 2026

RURAL WATER DISTRICT NO. 3, JACKSON COUNTY

STATEMENT OF NET POSITION
As of December 31, 2025 and 2024

	2025	2024
Assets		
Current assets:		
Cash	$ 669,745	$ 351,154
Short-term investments	610,412	1,075,442
Restricted cash	2,110,173	45,500
Accounts receivable	135,167	155,323
Prepaid expenses	27,662	25,000
Inventory	411,788	111,677
Total current assets	3,964,947	1,764,096
Noncurrent assets:		
Capital assets, nondepreciable		
Land	142,891	142,891
Capital assets, depreciable		
Property, plant, and equipment	17,502,743	17,201,962
Less: accumulated depreciation	[12,039,912]	[11,472,206]
Total property and equipment, net	5,605,722	5,872,647
Investment in joint venture	275,901	275,901
Total assets	9,846,570	7,912,644
Deferred outflows of resources		
Pensions	84,465	108,837
Total assets and deferred outflows of resources	$ 9,931,035	$ 8,021,481
Liabilities		
Current liabilities:		
Accounts payable	$ 109,436	$ 40,635
Accrued interest	63,955	1,979
Accrued liabilities	36,192	33,068
Current portion of long-term debt	90,000	60,000
Total current liabilities	299,583	135,682
Noncurrent liabilities:		
Revenue bonds less current portion	2,174,973	185,000
KPERS net pension liability	361,546	375,989
Total noncurrent liabilities	2,536,519	560,989
Total liabilities	2,836,102	696,671
Deferred inflows of resources		
Pensions	12,416	88
Total liabilities and deferred inflows of resources	$ 2,848,518	$ 696,759
Net position:		
Net investment in capital assets	$ 3,505,722	$ 5,627,647
Restricted	2,110,173	45,500
Unrestricted	1,466,622	1,651,575
Total net position	$ 7,082,517	$ 7,324,722

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

RURAL WATER DISTRICT NO. 3, JACKSON COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2025 and 2024

	2025	2024
Operating revenues		
Water sales	$ 1,807,732	$ 1,609,567
Debt, penalty and other charges	305,021	297,391
Total operating revenues	2,112,753	1,906,958
Operating expenses		
Water purchases	481,294	477,203
Salaries, payroll taxes and employee benefits	623,538	660,689
Pension	66,208	88,044
Depreciation	567,707	611,179
Repairs and maintenance	342,034	282,825
Utilities	57,369	66,475
Taxes and fees	9,452	10,967
Travel	3,084	1,558
Professional fees	129,199	18,466
Insurance	67,610	67,960
Board reimbursement	7,700	8,100
Printing	1,300	-
Samples testing	7,216	4,684
Gas and fuel	23,048	25,186
Office	57,448	49,851
Chemicals and analysis	29,168	29,316
Total operating expenses	2,473,375	2,402,503
Operating income [loss]	[360,622]	[495,545]
Non-operating revenues [expenses]		
Interest income	74,317	53,192
Insurance dividend	29,905	-
Interest expense	[66,734]	[5,800]
Total nonoperating revenues [expenses]	37,488	47,392
Net income [loss] before contributions	[323,134]	[448,153]
Capital contributions		
Benefit units and aid in construction	80,929	127,426
Change in net position	[242,205]	[320,727]
Net position - beginning of year	7,324,722	7,645,449
Net position - end of year	$ 7,082,517	$ 7,324,722

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

RURAL WATER DISTRICT NO. 3, JACKSON COUNTY

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities		
Cash receipts from customers and reimbursements for services	$ 2,132,909	$ 1,874,375
Cash payments for goods and services	[1,449,894]	[1,019,913]
Cash payments to employees for services	[664,365]	[715,341]
Net cash provided by [used in] operating activities	18,650	139,121
Cash flows from investing activities		
Interest income	74,317	53,192
Insurance dividend	29,905	-
Purchase of property and equipment	[300,782]	[819,600]
Net cash provided by [used in] investing activities	[196,560]	[766,408]
Cash flows from capital and related financing activities		
Bond payments	[60,000]	[60,000]
Bond proceeds	2,079,973	-
Interest paid	[4,758]	[6,550]
Proceeds from sale of benefit units/contribution in aid	80,929	127,426
Net cash provided by [used in] capital and related financing activities	2,096,144	60,876
Net increase [decrease] in cash and cash equivalents	1,918,234	[566,411]
Cash and cash equivalents, January 1	1,472,096	2,038,507
Cash and cash equivalents, December 31	$ 3,390,330	$ 1,472,096
Reconciliation of operating income [loss] to net cash provided by [used in] operating activities		
Operating income [loss]	$ [360,622]	$ [495,545]
Adjustments to reconcile operating income [loss] to net cash provided by [used in] operating activities		
Depreciation expense	567,707	611,179
[Increase] decrease in accounts receivable	20,156	[32,583]
[Increase] decrease in inventory	[300,111]	28,945
[Increase] decrease in prepaid expenses	[2,662]	[4,171]
[Increase] decrease in deferred outflows - pensions	24,372	[5,165]
Increase [decrease] in accounts payable	68,801	[2,096]
Increase [decrease] in accrued liabilities	3,124	[5,412]
Increase [decrease] in net pension liability	[14,443]	44,751
Increase [decrease] in deferred inflows - pensions	12,328	[782]
Net cash provided by [used in] operating activities	$ 18,650	$ 139,121

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

RURAL WATER DISTRICT NO. 3 JACKSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ending December 31, 2025 and 2024

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Rural Water District No. 3, Jackson County (the District) was organized under Kansas law with the purpose and objective to acquire water and water rights, and to build and acquire pipelines for the purpose of furnishing water for domestic, agriculture, and/or other purposes to patrons located within the District. The benefit units in service as of December 31, 2025 and 2024 was 2,030 and 2,019, respectively.

B. Government-wide and Fund Financial Statements

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

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

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

D. Cash and Cash Equivalents

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

E. Investments

The investments represent certificates of deposit. The certificates of deposit are recorded at cost as they are not affected by market rate changes.

F. Accounts Receivable

The water meters in the District are read once a month. Bills are sent out by the 15th of the month and are due the last working day of the month for patrons in the main area of the District and the Whiting area. Bills are sent out by the last day of the month and are due the 15th day of the following month for patrons in the Valley Falls, PBPN Reservation, and Soldier areas of the District. The base rate charge from January 1, 2025, to December 31, 2025, was $30. Usage is billed at a rate of $7.99 per 1,000 gallons.

Rates for the Cities served by the District are governed by the agreement with each City and are currently billed at $7.35 per 1,000 gallons.

G. Inventory

The District's inventory is valued at cost. Cost is determined by the first in, first out method.

H. Benefit Units

Benefit units are rights that entitle the holder to water service. Benefit units were sold for $5,000 per meter from January 1, 2025, to December 31, 2025.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Aid in Construction

Aid in construction represents contributions from the members for line extensions.

J. Budget

The District prepares its budget for the fiscal year using the same basis of accounting as the financial statements. A comparison of actual to budget activity is not presented in these financial statements.

K. Property, Plant and Equipment

Property, plant, and equipment are recorded at cost less accumulated depreciation. Improvements and betterments to existing property and equipment are capitalized. Expenditures for maintenance and repair which do not extend the life of the applicable assets are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized as income for the period.

L. Net Position

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

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

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

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

M. Use of Estimates

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

N. Income Taxes

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

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Note 2. DETAILED NOTES

A. Cash and Cash Equivalents

Cash and cash equivalents consist of the following for the years ending December 31, 2025 and 2024:

	2025	2024
Checking	$ 669,746	$ 351,154
Certificates of deposit	610,412	1,075,442
Restricted cash	2,110,172	45,500
Total cash and cash equivalents	$ 3,390,330	$1,472,096

Information on the District's restricted cash can be located in Note 3.J to the financial statements.

B. Deposits and Investments

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

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

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

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated 'peak periods' when required coverage is 50%. All deposits were legally secured as of December 31, 2025 and 2024.

C. Accounts Receivable

Accounts receivable are carried at original billed amount less any estimate made for doubtful receivables based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts.

D. Prepaid Expenses

Prepaid expenses consist of prepaid insurance. Prepaid insurance expenses were $27,662 and $25,000 respectively, for the years ended December 31, 2025 and 2024.

Note 2. DETAILED NOTES (Continued)

E. Capital Assets

Capital asset activity for the years ending December 31, 2025 and 2024 was as follows:

	Balance January 1, 2025	Additions	Deletions	Balance December 31, 2025
Nondepreciable assets:				
Land	$ 142,891	$ -	$ -	$ 142,891
Construction in progress	-	-	-	-
Depreciable assets:				
Buildings	288,021	-	-	288,021
Dam construction costs	373,000	-	-	373,000
Equipment	518,581	266,384	-	784,965
Filtration plant	533,072	-	-	533,072
Leasehold improvements	7,821	-	-	7,821
Line extensions	8,487,076	30,010	-	8,517,086
Office equipment	13,923	-	-	13,923
Plant	1,710,125	-	-	1,710,125
Reservation construction	661,146	-	-	661,146
Soldier water tower	954,598	-	-	954,598
Standpipe	58,395	-	-	58,395
Tank	886,719	-	-	886,719
Telemetry	144,343	-	-	144,343
Wells	1,766,718	-	-	1,766,718
Whiting annex	798,423	4,386	-	802,809
Total capital assets	17,344,852	300,780	-	17,645,632
Less accumulated depreciation	[11,472,206]	[567,707]	-	[12,039,913]
Capital assets, net	$ 5,872,646	$ [266,927]	$ -	$ 5,605,719

Note 2. DETAILED NOTES (Continued)

E. Capital Assets (Continued)

	Balance January 1, 2024	Additions	Deletions	Balance December 31, 2024
Nondepreciable assets:				
Land	$ 142,891	$ -	$ -	$ 142,891
Construction in progress	-	-	-	-
Depreciable assets:				
Buildings	288,021	-	-	288,021
Dam construction costs	373,000	-	-	373,000
Equipment	451,778	66,803	-	518,581
Filtration plant	533,072	-	-	533,072
Leasehold improvements	7,821	-	-	7,821
Line extensions	7,881,936	605,140	-	8,487,076
Office equipment	13,923	-	-	13,923
Plant	1,576,810	133,315	-	1,710,125
Reservation construction	661,146	-	-	661,146
Soldier water tower	954,598	-	-	954,598
Standpipe	58,395	-	-	58,395
Tank	886,719	-	-	886,719
Telemetry	144,343	-	-	144,343
Wells	1,766,718	-	-	1,766,718
Whiting annex	784,082	14,341	-	798,423
Total capital assets	16,525,252	819,600	-	17,344,852
Less accumulated depreciation	[10,861,027]	[611,179]	-	[11,472,206]
Capital assets, net	$ 5,664,225	$ 208,421	$ -	$ 5,872,646

Depreciation expense was $567,707 and $611,179, respectively, for the years ended December 31, 2025 and 2024.

Note 3. OTHER INFORMATION

A. Commitments and Contingencies Litigation

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

Note 3. OTHER INFORMATION (Continued)

B. Risk Management

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

C. Defined Benefit Pension Plan

Description of Pension Plan. The District participates in a cost-sharing multiple-employer pension plan (Pension Plan), as defined in Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. The Pension Plan is administered by the Kansas Public Employees Retirement System (KPERS), a body corporate and an instrumentality of the State of Kansas. KPERS provides benefit provisions to the following statewide pension groups under one plan, as provided by K.S.A. 74, article 49:

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

Substantially all public employees in Kansas are covered by the Pension Plan. Participation by local political subdivisions is optional, but irrevocable once elected.

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

KPERS issues a stand-alone comprehensive annual financial report, which is available on the KPERS website at www.kspers.gov.

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

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

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

Note 3. OTHER INFORMATION (Continued)

C. Defined Benefit Pension Plan (Continued)

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

For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

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

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.2% of total payroll for the fiscal year ended June 30, 2025.

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

	Employer Rate	Capped Rate
Local employees	9.71%	9.71%

Member contribution rates as a percentage of eligible compensation for the KPERS fiscal year 2025 is 6.00% for Local employees.

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

- State/School
- Local
- Police and Firemen
- Judges

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer.

Note 3. OTHER INFORMATION (Continued)

C. Defined Benefit Pension Plan (Continued)

The allocation percentages for the District's share of the collective pension amounts as of December 31, 2025, are based on the ratio of its contributions to the total of the employer and nonemployer contributions of the group for the fiscal years ended June 30, 2025.

The contributions used exclude contributions made for prior service, excess benefits and irregular payments. As of June 30, 2025, the District's proportion for the Local employees group was 0.018%, which was the same as the proportion measured as of June 30,2024.

Net Pension Liability. As of December 31, 2025 and 2024, the District reported a liability of $361,546 and $375,989, respectively, for its total proportionate share of the net pension liability for the Local group.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2025, which was rolled forward to June 30, 2025, using the following actuarial assumptions:

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

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

The actuarial assumptions used in the December 31, 2025 valuation were based on the results of an actuarial experience study conducted for the period of January 1, 2016 through December 31, 2018. The experience study is dated January 7, 2020.

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

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

Note 3. OTHER INFORMATION (Continued)

C. Defined Benefit Pension Plan (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The State, School and Local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the System's Board of Trustees for these groups may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Employers contribute the full actuarial determined rate for Police & Firemen, and Judges. Future employer contribution rates were also modeled for Police & Firemen and Judges, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
$533,528	$361,546	$217,104

Pension Expense. For the years ending December 31, 2025 and 2024, the District recognized Local pension expense of $64,227 and $75,086, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period.

Deferred Outflows of Resources and Deferred Inflows of Resources. As of December 31, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions for Local group from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between actual and expected experience	$ 46,589	$ -
Changes of assumptions	8,937	-
Changes in proportion	28,939	[12,416]
Total	$ 84,465	$ [12,416]

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

Note 3. OTHER INFORMATION (Continued)

C. Defined Benefit Pension Plan (Continued)

Year ended December 31,	Deferred [Inflows] Outflows Amount
2026	50,979
2027	15,241
2028	7,078
2029	[1,249]
Total	$ 72,049

D. Contracts and Commitments

The District has over 500 miles of pipeline in the ground throughout five counties in Kansas (Jackson, Jefferson, Atchison, Brown, and Nemaha). The District serves water to six cities in Jackson County (Circleville, Denison, Mayetta, Netawaka, Soldier and Whiting). The District also provides water to the entire Prairie Band Potawatomi Nation reservation area and all the Prairie Band Potawatomi Nation tribal entities plus the Prairie Band Casino and Resort. In 1997, the District entered into an agreement with the City of Holton, Kansas to form a public wholesale water district for the purpose of securing an adequate source of water for the members. As of December 31, 2025 and 2024 the District had paid costs of $275,901 which is reflected in the investments of joint venture on the statement of net position.

E. Concentrations of Credit Risk

The District is engaged in the sale of water to customers located in Jackson County, Kansas and other surrounding counties.

F. Line Extensions

The District requires benefit holders to pay in advance the cost of constructing lines. The charges for these extensions as of December 31, 2025, and 2024, were $80,929 and $127,426, respectively.

G. Accrued Liabilities

Accrued liabilities consists of accrued personnel and related costs as of December 31, 2025 and 2024.

Note 3. OTHER INFORMATION (Continued)

G. Accrued Liabilities (Continued)

The District has a paid time off policy program for employees, which includes vacation, sickness or other personal needs. Full-time employees with one year of service are eligible for one week of vacation. The maximum paid out at separation for any one employee is 80 hours of accrued paid time off.

H. Compliance with Kansas Statutes

References made herein to the statutes are not intended as interpretation 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. Management is not aware of any violations of Kansas statutes during the year ended December 31, 2025.

I. Net Investment in Capital Assets

The following represents the net investment in capital assets of the District:

	2025	2024
Capital assets, net of depreciation	$ 5,605,722	$ 5,872,647
Revenue bonds outstanding at year end	[185,000]	[245,000]
Net investment in capital assets	$ 5,420,722	$ 5,627,647

J. Long-Term Debt

Long-term debt of the District consisted of the following as of December 31, 2025:

Revenue Bonds	Interest Rate	Amount Outstanding	Original Amount	Date of Issue	Final Maturity
Series 2020 A	1.875 - 3.00%	$ 185,000	$ 455,000	1/17/2020	8/1/2028
Series 2025 E	5.200%	1,915,000	1,915,000	9/30/2025	8/1/2045
Total Revenue Bonds		$ 2,100,000	$ 2,370,000		

Changes in long-term debt of the District during the year ended December 31, 2025 and 2024 were as follows:

	Balance January 1, 2025	Additions	Reductions	Balance December 31, 2025	Amounts Due Within One Year
Water System Revenue Bonds					
Series 2020 A	$ 245,000	$ -	$ 60,000	$ 185,000	$ 60,000
Series 2025 E	-	1,915,000	-	1,915,000	30,000
Total	$ 245,000	$ 1,915,000	$ 60,000	$ 2,100,000	$ 90,000

	Balance January 1, 2024	Additions	Reductions	Balance December 31, 2024	Amounts Due Within One Year
Water System Revenue Bonds					
Series 2020 A	$305,000	$ -	$ 60,000	$ 245,000	$ 60,000
Total	$305,000	$ -	$ 60,000	$ 245,000	$ 60,000

Revenue bonds in the amount of $455,000 were issued January 17, 2020, with maturities ranging from 2021-2028 and with varying interest rates of 1.875% to 3.0%, payable semi-annually from utility revenues. The bonds were issued to provide funds to retire an existing Kansas Public Water Supply Loan.

Revenue bonds in the amount of $1,915,000 were issued on September 30, 2025, with a maturity date of August 1, 2045 and with an interest rate of 5.20%. The bonds were issued to provide funds for various utility improvements throughout the District.

Future maturities of long-term debt are as follows as of December 31, 2025:

Note 3. OTHER INFORMATION (Continued)

J. Long-Term Debt (Continued)

Year Ending December 31,	Principal	Interest	Total
2026	$ 90,000	$ 86,885	$ 176,885
2027	75,000	100,520	175,520
2028	75,000	98,540	173,540
2029	70,000	96,720	166,720
2030	75,000	93,080	168,080
2031 - 2035	435,000	402,480	837,480
2036 - 2040	560,000	277,940	837,940
2041 - 2045	720,000	116,220	836,220
	$ 2,100,000	$ 1,272,385	$ 3,372,385

As part of the bond requirements for the 2020 A bonds, a bond reserve of $45,500 was established by the District. This amount is recorded as restricted cash and restricted net position in these financial statements.

Also, as part of the 2020 A bond requirements, the District is required to maintain a debt service coverage ratio of 1.25 and establish a loan reserve account in the amount of 10% of the total issue. The District's debt service ratio for the years ended December 31, 2025 and 2024 is as follows:

	2025	2024
Total revenues	$ 2,216,975	$ 2,069,023
Total expenses	[2,540,109]	[2,408,303]
Plus: depreciation	567,707	611,179
Plus: interest expense	66,734	5,800
Total revenue available for debt service	311,307	277,699
Total annual debt service for the year	64,750	66,550
Debt service ratio	4.81	4.17

As part of the 2025 bond requirements, the District is required to make monthly deposits into a sinking fund maintained with the District's depository bank. Amounts accumulated in the sinking fund are restricted and may only be used for the payment of principal and interest on the bonds. As of December 31, 2025, the balance in the sinking fund totaled $29,022.

I. Subsequent Events Review

Subsequent events for management's review have been evaluated through March 12, 2026, the date the financial statements were available to be issued.