

**RURAL WATER DISTRICT NO. 3
MIAMI COUNTY, KANSAS**

**Financial Statements for the
Years Ended December 31, 2019 and 2018
and Independent Auditors' Report**

RURAL WATER DISTRICT NO. 3
MIAMI COUNTY, KANSAS

TABLE OF CONTENTS

| | Page |
|--|-------------|
| INDEPENDENT AUDITORS' REPORT | 1-2 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited) | 3-6 |
| FINANCIAL STATEMENTS: | |
| Statements of Net Position | 7 |
| Statements of Revenues, Expenses and Changes in Net Position | 8 |
| Statements of Cash Flows | 9 |
| Notes to Financial Statements | 10-14 |

INDEPENDENT AUDITORS' REPORT

Board of Directors and Members
Rural Water District No. 3
Miami County, Kansas

We have audited the accompanying financial statements of net position of Rural Water District No. 3, Miami County (the "District") as of December 31, 2019 and 2018, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the District's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As more fully described in Note 6 to the financial statements, the District has not implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" and therefore the financial statements referred to above are not presented in accordance with accounting principles generally accepted in the United States of America.

GASB 68, which is effective for fiscal years beginning after June 15, 2014, requires entities to report their "share" of the net unfunded pension liability as an obligation on the face of the Statement of Net Position along with certain other detailed footnote disclosures related to the pension plan including, among other things, the actuarial assumptions used to determine the pension liability.

The District participates in the Kansas Public Employees Retirement System (KPERS), a multiple employer public employee defined benefit plan. In 2020 and 2019, KPERS computed and published the net pension liability (NPL) as of June 30, 2019 and June 30, 2018 for each participating employer.

The implementation of GASB No. 68 would have resulted in the District recording a net pension liability of approximately \$49,000 and \$58,000 at December 31, 2019 and 2018, respectively.

Qualified Opinion

In our opinion, except for the effects on the financial statements of the matters discussed in the Basis for Qualified Opinion section, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter: Management's Discussion and Analysis

Management's discussion and analysis on pages 3 through 6 is presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Acard Cox + Co.

February 24, 2020

**Rural Water District No. 3
Miami County, Kansas**

Management's Discussion and Analysis

This section of the Rural Water District No. 3, Miami County, Kansas annual financial report presents an analysis of the District's financial performance during the year ended December 31, 2019. This information is prepared and presented in conjunction with the annual audited financial reports prepared by the District's independent auditing firm.

Rural Water District No. 3 Financial Overview for 2019

- The District's total assets increased by \$35,229 from \$3,164,222 in 2018 to \$3,199,451 in 2019.
- The District's revenues from water sales decreased by \$44,913 from \$684,426 in 2018 to \$639,513 in 2019.
- The District's costs and operating expenses decreased by \$67,217 from \$397,070 in 2018 to \$329,853 in 2019.
- During 2019 the District made capital expense investments of \$9,386.

Overview of the Financial Statements

This report will include the Management's Discussion and Analysis, Financial Statements for the years ended December 31, 2019 and 2018 along with the Independent Auditors' Report. The Independent Auditors' Report will include notes and supporting details for information presented in the Management's Discussion and Analysis.

Required Financial Statements

The Financial Statements of the District report information by using accrual accounting practices. The Financial Statements conform to accounting principles that are generally accepted in the United States of America. The Statements of Net Position include information on the District's assets and liabilities and provide information about the type and amounts of investments (assets) secured and the obligations to the District's creditors (liabilities). The Statements of Activities and Changes in Net Position exhibit the District's revenues and expenses for the years ended December 31, 2019 and 2018. The Statements of Cash Flows present information on the District's cash receipts, cash payments and changes in cash flow resulting from operations, investments and financing activities.

Financial Analysis of the District

The Statements of Net Position and the Statements of Activities and Changes in Net Position present information on the District's financial condition. The District's net position is indicated by the difference between its assets and liabilities. An improvement in the District's financial condition is reflected in its increase of net position.

Net Position

A summary of the District's Statements of Net Position is presented below.

Table 1
Condensed Statements of Net Position

| | 2019 | 2018 | Dollar Change | Percent Change |
|--|------------------|------------------|--------------------------|---------------------------|
| Current Assets | 1,021,237 | 903,723 | 117,514 | 13.0% |
| Capital assets, net | 2,178,214 | 2,260,499 | (82,285) | -3.6% |
| Total Assets | 3,199,451 | 3,164,222 | 35,229 | 1.1% |
| Current Liabilities | 62,180 | 54,458 | 7,722 | 14.2% |
| Total Liabilities | 62,180 | 54,458 | 7,722 | 14.2% |
| Net position invested in capital assets, net of related debt | 2,178,214 | 2,260,499 | (82,285) | -3.6% |
| Unrestricted | 959,057 | 849,265 | 109,792 | 12.9% |
| Total Net Position | 3,137,271 | 3,109,764 | 27,507 | 0.9% |

Total assets increased by \$62,829 from \$3,164,222 in 2018 to \$3,227,051 in 2019. This is primarily a result of a net increase in cash and cash equivalents. Current assets consist primarily of cash, receivables and inventory.

Total liabilities increased by \$7,722 from \$54,458 in 2018 to \$62,180 in 2019. An increase in Accounts payable and Line extension deposit attributed to the overall increase in liabilities.

Total net position increased by \$27,507 from \$3,109,764 in 2018 to \$3,137,271 in 2019.

Table 2
Condensed Statements of Activities and Changes in Net Position

| | 2019 | 2018 | Dollar Change | Percent Change |
|--|------------------|------------------|--------------------------|---------------------------|
| Operating Revenues, Net | 327,033 | 369,179 | (42,146) | -11.4% |
| Non-operating Revenues | 7,827 | 36,821 | (28,994) | -78.7% |
| Total Revenues | 334,860 | 406,000 | (71,140) | -17.5% |
| | | | - | |
| Depreciation Expense | 91,671 | 90,550 | 1,121 | 1.2% |
| Other Operating Expense | 238,182 | 306,520 | (68,338) | -22.3% |
| Non-operating Expense | - | 1,555 | (1,555) | -100.0% |
| Total Expenses | 329,853 | 398,625 | (68,772) | -17.3% |
| | | | - | |
| Income (loss) Before Capital Contributions | 5,007 | 7,375 | (2,368) | -32.1% |
| | | | - | |
| Capital Contributions | 22,500 | 33,500 | (11,000) | -32.8% |
| | | | - | |
| Changes in Net Position | 27,507 | 40,875 | (13,368) | -32.7% |
| | | | - | |
| Beginning Net Position | 3,109,764 | 3,068,889 | 40,875 | 1.3% |
| | | | - | |
| Total Net Position | 3,137,271 | 3,109,764 | 27,507 | 0.9% |

The Statements of Activities and Changes in Net Position represent revenue and expense items that affect the change in net position. As the information presented in Table 2 shows, income before capital contributions was \$5,007 with capital contributions of \$22,500 resulted in a net increase in net position of \$27,507 for the year ended December 31, 2019.

The District's net operating revenues decreased by \$42,146 from \$369,179 in 2018 to \$327,033 in 2019. Total operating expenses decreased by \$67,217 from \$397,070 in 2018 to \$329,853 in 2019. A decrease in repairs, maintenance and supplies expense attributed to the overall decrease in expense.

Long-Term Debt

At December 31, 2012, the District had two outstanding long-term debt obligations totaling \$760,337. In June 2013, the remaining balance of these debt obligations were refinanced with the issuance of revenue bonds. Refer to the below notes on the Series 2013 Bond Issue.

In June 2013 all debt remaining at the time was refinanced with the issuance of Series 2013 Revenue Bonds in the amount of \$730,000. The average net interest rate of the bond issue is 1.321% with final bond maturity scheduled for December 1, 2018. The District made scheduled repayments in 2018. This bond was paid in full in 2018.

Additional Financial Information

This financial report is designed to provide the District's patrons, investors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact Rural Water District No. 3, Miami County, KS Business Manager at P. O. Box 35 Osawatomie, KS 66064.

RURAL WATER DISTRICT NO. 3
MIAMI COUNTY, KANSAS

STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018

| ASSETS | 2019 | 2018 |
|---|---------------------|---------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 892,156 | \$ 802,394 |
| Accounts receivable | 66,531 | 69,029 |
| Prepaid insurance | 2,440 | 2,387 |
| Inventory | 60,110 | 29,913 |
| Total current assets | <u>1,021,237</u> | <u>903,723</u> |
| CAPITAL ASSETS | | |
| Nondepreciable capital assets | 24,257 | 23,992 |
| Depreciable capital assets | 5,090,835 | 5,081,714 |
| Less accumulated depreciation | <u>(2,936,878)</u> | <u>(2,845,207)</u> |
| Depreciable capital assets, net | <u>2,153,957</u> | <u>2,236,507</u> |
| Total capital assets, net | <u>2,178,214</u> | <u>2,260,499</u> |
| Total assets | <u>\$ 3,199,451</u> | <u>\$ 3,164,222</u> |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 41,412 | \$ 37,353 |
| Accrued liabilities | 6,279 | 7,444 |
| Line extension deposit | 14,489 | 9,661 |
| Total current liabilities | <u>62,180</u> | <u>54,458</u> |
| NET POSITION | | |
| Invested in capital assets, net of related debt | 2,178,214 | 2,260,499 |
| Unrestricted | <u>959,057</u> | <u>849,265</u> |
| Total net position | <u>\$ 3,137,271</u> | <u>\$ 3,109,764</u> |

RURAL WATER DISTRICT NO. 3
MIAMI COUNTY, KANSAS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

| | 2019 | 2018 |
|---|---------------------|---------------------|
| WATER SALES | \$ 639,513 | \$ 684,426 |
| COST OF WATER PURCHASED | <u>312,480</u> | <u>315,247</u> |
| GROSS PROFIT | 327,033 | 369,179 |
| COSTS AND OPERATING EXPENSES | | |
| Salaries | 58,811 | 74,950 |
| KPERS | 5,688 | 6,678 |
| Payroll taxes | 4,747 | 5,760 |
| Repair, maintenance and supplies | 32,769 | 81,455 |
| Contract labor | 57,627 | 57,019 |
| Utilities and telephone | 22,702 | 24,719 |
| Vehicle expense | 1,894 | 1,355 |
| Professional fees | 8,249 | 15,059 |
| Water taxes | 2,912 | 3,133 |
| Water samples | 1,345 | 1,027 |
| Office supplies | 18,640 | 15,697 |
| Insurance | 8,291 | 7,194 |
| Dues and conventions expense | 5,567 | 5,487 |
| Other | 8,940 | 6,987 |
| Depreciation | <u>91,671</u> | <u>90,550</u> |
| | <u>329,853</u> | <u>397,070</u> |
| INCOME FROM OPERATIONS | <u>(2,820)</u> | <u>(27,891)</u> |
| NON-OPERATING REVENUES (EXPENSES): | | |
| Interest income | 7,827 | 5,164 |
| Interest expense | - | (1,555) |
| Litigation settlement | - | 31,657 |
| | <u>7,827</u> | <u>35,266</u> |
| INCOME BEFORE CONTRIBUTIONS | 5,007 | 7,375 |
| CONTRIBUTIONS - BENEFIT UNITS AND AID-IN CONSTRUCTION | <u>22,500</u> | <u>33,500</u> |
| INCREASE IN NET POSITION | 27,507 | 40,875 |
| NET POSITION, BEGINNING OF YEAR | <u>3,109,764</u> | <u>3,068,889</u> |
| NET POSITION, END OF YEAR | <u>\$ 3,137,271</u> | <u>\$ 3,109,764</u> |

RURAL WATER DISTRICT NO. 3
MIAMI COUNTY, KANSAS

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

| | 2019 | 2018 |
|---|-------------------|-------------------|
| OPERATING ACTIVITIES: | | |
| Cash received from members for water | \$ 646,839 | \$ 722,685 |
| Cash payments to suppliers for goods and services | (508,772) | (531,439) |
| Cash payments to employees for services | (69,246) | (87,388) |
| Net cash provided by operating activities | <u>68,821</u> | <u>103,858</u> |
| CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Proceeds from sale of benefit units and extensions | 22,500 | 33,500 |
| Change in long-term debt | - | (135,000) |
| Interest and loan fees paid | - | (1,555) |
| Acquisition and construction of fixed assets | (9,386) | (27,656) |
| Net cash provided by (used in) capital and related financing activities | <u>13,114</u> | <u>(130,711)</u> |
| INVESTING ACTIVITIES: | | |
| Interest received | 7,827 | 5,164 |
| Net cash provided by investing activities | <u>7,827</u> | <u>5,164</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 89,762 | (21,689) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 802,394 | 824,083 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 892,156</u> | <u>\$ 802,394</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities: | | |
| Operating income (loss) | \$ (2,820) | \$ (27,891) |
| Adjustments to reconcile operating income (loss) | | |
| to net cash provided by operating activities: | | |
| Depreciation and amortization | 91,671 | 90,550 |
| (Gain) loss on disposal of fixed assets | - | 31,657 |
| Changes in: | | |
| Accounts receivable | 2,498 | (3,059) |
| Inventories | (30,197) | 6,930 |
| Prepaid insurance and other current assets | (53) | (48) |
| Accounts payable and other current liabilities | 7,722 | 5,719 |
| Net cash provided by operating activities | <u>\$ 68,821</u> | <u>\$ 103,858</u> |

RURAL WATER DISTRICT NO. 3

MIAMI COUNTY, KANSAS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

1. DESCRIPTION OF ENTITY

- a. Organization and Description of Operations – The Rural Water District (the “District”) was established as a tax exempt organization under the laws of the State of Kansas and is governed by an independent Board of Directors. Principal functions of the District include the acquisition, treatment and distribution of water to owners and occupants of land located within the district. Total customers at December 31, 2019 and 2018 were 1,021 and 1,019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. 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 statements 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 and liabilities and revenues and expenses to prepare these financial statements in conformity with generally accepted accounting principles. Actual results may differ from those estimates.

- b. Cash Equivalents – For purposes of the statements of cash flows the District considers all highly liquid debt investments having original maturities of three months or less to be cash equivalents.
- c. 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.
- d. Inventories – Inventories consist primarily of meters, line maintenance material and chemicals. Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method.
- e. Debt Issue Costs – Costs related to the issuance of debt are expensed as incurred.

- f. Capital Assets – Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The cost of maintenance and repairs is charged to income as incurred; significant renewals and improvements are capitalized.
- g. Income Taxes – The District is a quasi-governmental unit, not subject to federal or state income taxes.
- h. 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.
- i. Net position – Net position comprise the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position are 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.”

- j. Subsequent Events – Management has evaluated subsequent events through the date of the Independent Auditors' Report, the date which the financial statements were available for issue.

3. CASH AND INVESTMENTS

At December 31, 2019 and 2018, except for the deposits held in the Municipal Investment Pool, the carrying amounts of the District's deposits and certificates of deposit were covered by federal depository insurance or by collateral held by the District's agent in the District's name. The balance held in the Municipal Investment Pool at December 31, 2019 and 2018 was \$3.

4. CAPITAL ASSETS

Changes in capital assets were as follows:

| | 2018 | Additions | Disposals & Transfers | 2019 |
|---------------------------------|--------------------|------------------|--------------------------------------|--------------------|
| Nondepreciable capital assets: | | | | |
| Land | 23,422 | 835 | | 24,257 |
| Construction in process | 570 | | (570) | - |
| | <u>23,992</u> | <u>835</u> | <u>(570)</u> | <u>24,257</u> |
| Depreciable capital assets: | | | | |
| Building | 176,237 | | | 176,237 |
| Transmission and distribution | 4,730,148 | 3,495 | | 4,733,643 |
| Pumps | 120,350 | | | 120,350 |
| Furniture and fixtures | 54,979 | 5,626 | | 60,605 |
| | <u>5,081,714</u> | <u>9,121</u> | <u>-</u> | <u>5,090,835</u> |
| Less accumulated depreciation | <u>(2,845,207)</u> | <u>(91,671)</u> | | <u>(2,936,878)</u> |
| Depreciable capital assets, net | <u>2,236,507</u> | <u>(82,550)</u> | <u>-</u> | <u>2,153,957</u> |
| Total capital assets, net | <u>2,260,499</u> | <u>(81,715)</u> | <u>(570)</u> | <u>2,178,214</u> |

| | 2017 | Additions | Disposals & Transfers | 2018 |
|---------------------------------|--------------------|------------------|--------------------------------------|--------------------|
| Nondepreciable capital assets: | | | | |
| Land | 23,052 | 370 | | 23,422 |
| Construction in process | | 570 | | 570 |
| | <u>23,052</u> | <u>940</u> | <u>-</u> | <u>23,992</u> |
| Depreciable capital assets: | | | | |
| Building | 176,237 | | | 176,237 |
| Transmission and distribution | 4,703,432 | 26,716 | | 4,730,148 |
| Pumps | 120,350 | | | 120,350 |
| Furniture and fixtures | 54,979 | | | 54,979 |
| | <u>5,054,998</u> | <u>26,716</u> | <u>-</u> | <u>5,081,714</u> |
| Less accumulated depreciation | <u>(2,754,657)</u> | <u>(90,550)</u> | | <u>(2,845,207)</u> |
| Depreciable capital assets, net | <u>2,300,341</u> | <u>(63,834)</u> | <u>-</u> | <u>2,236,507</u> |
| Total capital assets, net | <u>2,323,393</u> | <u>(62,894)</u> | <u>-</u> | <u>2,260,499</u> |

6. PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS

Pension Plan

Substantially all of the District's employees participate in the Kansas Public Employees Retirement System ("System"), a multiple employer public employee retirement system. The 2019 and 2018 payroll for employees covered by the System was \$59,556 and \$74,394.

Covered employees are required by state statute to contribute statutorily defined rates of their salary to the System. The District is required by statute to contribute the remaining amounts using the full funding method, which funds current costs each year and past service liability over a 40-year period. The contribution requirement for the year ended December 31, 2019 and 2018 was \$9,967 and \$11,450, which consisted of \$5,210 and \$4,464 from employees and \$4,756 and \$6,986 from the District; these contributions represented approximately 16.7% and 15.4% of 2019 and 2018 covered payroll.

Effective for fiscal years beginning after June 15, 2014, GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions", which establishes accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statement No. 27, "Accounting for Pensions by State and Local Government Employers", as well as the requirements of Statement No. 50, "Pension Disclosures", as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. Also, this statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.

As of December 31, 2019, the District has not implemented GASB Statement No. 68 and therefore has not recorded a liability for its proportionate share of the unfunded liability in their pension plan on the balance sheet. If the District implemented GASB Statement No. 68, the District would have reported a liability of approximately \$49,000 and \$58,000 at December 31, 2019 and 2018, respectively, for its proportionate share of the net pension liability.

Other Post-Employment Benefits

Substantially all of the District's employees are covered by a long-term disability benefit plan sponsored by KPERS.

Effective for fiscal years beginning after June 15, 2017, GASB issued Statement No. 75, "Accounting and financial reporting for other post-employment benefits", which establishes accounting and financial reporting for OPEB provided to the employees of state and local government employers. GASB 75 requires a liability for OPEB obligations, known as the Total OPEB Liability (for unfunded plans) to be recognized on the balance sheets of participating employers. Changes in the Total OPEB Liability will be immediately recognized as OPEB Expense on the income statement or reported as deferred inflows/outflows of resources depending on the nature of the change.

As of December 31, 2019, the District has not implemented GASB Statement No. 75 as it was determined the implementation would not have a material effect on the financial statements. If the District implemented GASB Statement No. 75, the District would have reported a Total OPEB Liability of approximately \$206 and \$370 at December 31, 2019 and 2018, respectively.

7. COMPENSATED ABSENCES

The District grants vacation to all employees at a rate based on years of experience and employees are scheduled to take vacation in the following year. In the event of termination, an employee is reimbursed for accumulated vacation days. The liability for accrued vacation at December 31, 2019 and 2018 amounted to \$4,614 and \$5,435, respectively.

8. RELATED PARTY TRANSACTIONS

The District utilizes a contractor (“the Contractor”) whose spouse is a member of the District’s board of directors. During 2019 and 2018 the Contractor was paid \$101,602 and \$95,240 respectively.

The spouse of the District’s business manager is also a member of the District’s board of directors.

The District is a member of Public Wholesale Water District #13 (PWWD 13) and has water purchase agreement with the PWD which includes minimum purchase rates and terms defined in the agreement. For the years ended December 31, 2019 and 2018, the District purchased \$86,562 and \$90,721, respectively, of water from PWWD 13.

9. 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 years ended December 31, 2019 or 2018.

* * * * *