Acord Cox & Scott, LLC
Certified Public Accountants

RURAL WATER DISTRICT NO. 4
FRANKLIN COUNTY, KANSAS

Financial Statements for the
Years Ended October 31, 2025 and 2024
and Independent Auditors' Report

RURAL WATER DISTRICT NO. 4
FRANKLIN COUNTY, KANSAS

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Members
Rural Water District No. 4
Franklin County, Kansas

We have audited the accompanying statements of net position of Rural Water District No. 4, Franklin County, Kansas (the "District"), as of October 31, 2025 and 2024, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of October 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' 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 ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 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.

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 Matter: Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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. 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.

Acord Cox + Scott, LLC

December 3, 2025

Rural Water District No. 4
Franklin County, Kansas

Management's Discussion and Analysis

This section of the Rural Water District No. 4, Franklin County, Kansas annual financial report presents an analysis of the District's financial performance during the year ended October 31, 2025. 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. 4 Financial Overview for 2025

- The District's total assets increased by $2,207,002 from $4,290,604 in 2024 to $6,497,606 in 2025.
- The District's total liabilities increased by $2,144,234 from $1,070,752 in 2024 to $3,214,986 in 2025.
- The District's revenues from water sales increased by $93,743 from $726,635 in 2024 to $820,378 in 2025.
- The District's costs and operating expenses increased by $57,263 from $853,558 in 2024 to $910,821 in 2025.

Overview of the Financial Statements

This report will include the Management's Discussion and Analysis, Financial Statements for the years ended October 31, 2025 and 2024, and 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 includes 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 Revenues, Expenses, and Changes in Net Position exhibit the District's revenues and expenses for the years ended October 31, 2025 and 2024. The Statements of Cash Flows presents 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 Revenues, Expenses, 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 by an increase in net position.

Net Position

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

Table 1
Condensed Statements of Net Position

	2025	2024	Dollar Change	Percent Change
Current and Other Assets	553,291	341,423	211,868	62.1%
Noncurrent Assets	1,096,754	893,151	203,603	22.8%
Capital Assets, net	4,806,805	3,031,869	1,774,936	58.5%
Deferred Outflows of Resources	40,756	24,161	16,595	68.7%
Total Assets and Deferred Outflows	**6,497,606**	**4,290,604**	**2,207,002**	51.4%
Current Liabilities	264,892	152,477	112,415	73.7%
Long-term Debt	2,852,597	850,000	2,002,597	235.6%
Net Pension Liability	96,929	67,091	29,838	44.5%
Deferred Inflows of Resources	568	1,184	(616)	-52.0%
Total Liabilities and Deferred Inflows	**3,214,986**	**1,070,752**	**2,144,234**	200.3%
Net assets invested in capital assets, net of related debt	1,760,885	2,081,869	(320,984)	-15.4%
Restricted	429,332	200,321	229,011	114.3%
Unrestricted	1,092,403	937,662	154,741	16.5%
Total Net Position	**3,282,620**	**3,219,852**	**62,768**	**1.9%**

Total assets increased by $2,207,002 from $4,290,604 in 2024 to $6,497,606 in 2025. Capital assets are a net result of all fixed assets, including 2025 additions, less accumulated depreciation.

Total liabilities increased by $2,144,234 from $1,070,752 in 2024 to $3,214,986 in 2025. In 2024, the District entered into a loan agreement with the Kansas Department of Health and Environment to fund the replacement of approximately 40,000 feet of water distribution pipe and associated infrastructure.

Total net position increased by $62,768 from $3,219,852 in 2024 to $3,282,620 in 2025.

Table 2
Condensed Statements of Revenues, Expenses, And Changes in Net Position

	2025	2024	Dollar Change	Percent Change
Operating Revenues	820,378	726,635	93,743	12.9%
Non-operating Revenues	62,769	72,781	(10,012)	-13.8%
Total Revenues	**883,147**	**799,416**	**83,731**	10.5%
Depreciation Expense	184,999	180,185	4,814	2.7%
Other Operating Expense	725,822	673,373	52,449	7.8%
Non-operating Expense	35,418	19,900	15,518	78.0%
Total Expenses	**946,239**	**873,458**	**72,781**	8.3%
Income (Loss) Before Capital Contributions	(63,092)	(74,042)	10,950	-14.8%
Capital Contributions	125,860	50,425	75,435	149.6%
Changes in Net Position	62,768	(23,617)	86,385	-365.8%
Beginning Net Position	3,219,852	3,243,469	(23,617)	-0.7%
Ending Net Position	**3,282,620**	**3,219,852**	**62,768**	**1.9%**

The Statements of Revenue, Expenses, 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, the District had a loss before capital contributions of $63,092, and capital contributions of $125,860. This resulted in a net increase in net position of $62,768 for the year ended October 31, 2025.

The District's total operating revenues increased by $93,743 from $726,635 in 2024 to $820,378 in 2025. Total expenses increased by $72,781 from $873,458 in 2024 to $946,239 in 2025. The major contributor to the increase in expenses was related to the cost of water purchased and personnel costs.

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. 4, Franklin County, KS Office Manager at 1506 Old Hwy 50 Williamsburg, KS 66095.

RURAL WATER DISTRICT NO. 4
FRANKLIN COUNTY, KANSAS

STATEMENTS OF NET POSITION
OCTOBER 31, 2025 AND 2024

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2025	2024
CURRENT ASSETS		
Cash and cash equivalents	$ 342,027	$ 136,710
Accounts receivable	88,808	74,921
Prepaid expenses and other current assets	33,439	32,307
Inventory	89,017	97,485
Total current assets	553,291	341,423
NONCURRENT ASSETS		
Certificates of deposit	667,422	692,830
Loan reserve fund	429,332	200,321
Total noncurrent assets	1,096,754	893,151
CAPITAL ASSETS		
Nondepreciable capital assets	14,400	14,400
Depreciable capital assets	8,458,096	6,498,161
Less accumulated depreciation	(3,665,691)	(3,480,692)
Depreciable capital assets, net	4,792,405	3,017,469
Total capital assets, net	4,806,805	3,031,869
Total assets	6,456,850	4,266,443
DEFERRED OUTFLOWS OF RESOURCES	40,756	24,161
Total assets and deferred outflows of resources	$ 6,497,606	$ 4,290,604
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
CURRENT LIABILITIES		
Current portion of long-term debt	$ 193,323	$ 100,000
Accounts payable	29,202	23,731
Accrued liabilities	42,367	28,746
Total current liabilities	264,892	152,477
LONG-TERM DEBT, less current portion	2,852,597	850,000
NET PENSION LIABILITY	96,929	67,091
Total liabilities	3,214,418	1,069,568
DEFERRED INFLOWS OF RESOURCES	568	1,184
Total liabilities and deferred inflows of resources	3,214,986	1,070,752
NET POSITION		
Invested in capital assets, net of related debt	1,760,885	2,081,869
Restricted	429,332	200,321
Unrestricted	1,092,403	937,662
Total net position	$ 3,282,620	$ 3,219,852

See notes to financial statements.

RURAL WATER DISTRICT NO. 4
FRANKLIN COUNTY, KANSAS

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED OCTOBER 31, 2025 AND 2024

	2025	2024
WATER SALES	$ 820,378	$ 726,635
COST OF WATER PURCHASED	232,579	211,606
GROSS PROFIT	587,799	515,029
COSTS AND OPERATING EXPENSES		
Personnel costs	257,258	243,425
Repairs and maintenance	71,540	81,194
Office supplies and telephone	15,369	16,097
Utilities	32,366	32,155
Insurance	37,794	34,943
Professional fees	10,517	8,302
Water analysis and testing	8,475	11,272
Water protection fee	508	174
Vehicle expense	35,381	17,717
Dues and subscriptions	10,303	8,094
Mileage	159	1,906
Board expense	9,400	4,400
Depreciation and amortization	184,999	180,185
Miscellaneous	4,173	2,088
	678,242	641,952
INCOME (LOSS) FROM OPERATIONS	(90,443)	(126,923)
NON-OPERATING REVENUES (EXPENSES)		
Interest income	39,669	43,342
Other income	23,100	29,439
Interest expense	(35,418)	(19,900)
	27,351	52,881
INCOME (LOSS) BEFORE CONTRIBUTIONS	(63,092)	(74,042)
CONTRIBUTIONS - BENEFIT UNITS AND AID-IN CONSTRUCTION	125,860	50,425
INCREASE (DECREASE) IN NET POSITION	62,768	(23,617)
NET POSITION, BEGINNING OF YEAR	3,219,852	3,243,469
NET POSITION, END OF YEAR	$ 3,282,620	$ 3,219,852

See notes to financial statements.

RURAL WATER DISTRICT NO. 4
FRANKLIN COUNTY, KANSAS

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2025 AND 2024

	2025	2024
OPERATING ACTIVITIES:		
Cash receipts from customers	$ 806,491	$ 720,447
Cash payments to suppliers for goods and services	(686,767)	(673,066)
Net cash provided by operating activities	119,724	47,381
CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from sale of benefit units and line extensions	125,860	50,425
Change in long-term debt	2,095,920	(100,000)
Interest paid	(35,418)	(19,900)
Acquisition and construction of fixed assets	(1,959,935)	(229,696)
Net cash provided by (used in) capital and related financing activities	226,427	(299,171)
INVESTING ACTIVITIES:		
Change in certificates of deposit	25,408	(33,686)
Change in loan reserve	(229,011)	(9,281)
Interest and other income received	62,769	76,094
Net cash provided by (used in) investing activities	(140,834)	33,127
NET CHANGE IN CASH AND CASH EQUIVALENTS	205,317	(218,663)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	136,710	355,373
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 342,027	$ 136,710
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	$ (90,443)	$ (130,236)
Adjustments to reconcile operating income to net cash provided by used in operating activities:		
Depreciation and amortization	184,999	180,185
Changes in:		
Accounts receivable	(13,887)	(2,875)
Inventories	8,468	(689)
Deferred outflows of resources for pension contribution	(16,595)	(4,063)
Prepaid insurance and other current assets	(1,132)	(5,860)
Accounts payable and accrued liabilities	19,092	(2,259)
Net pension liability	29,838	14,429
Deferred inflows of resources	(616)	(1,251)
Net cash provided by operating activities	$ 119,724	$ 47,381

See notes to financial statements.

RURAL WATER DISTRICT NO. 4
FRANKLIN COUNTY, KANSAS

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED OCTOBER 31, 2025 AND 2024

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 October 31, 2025 and 2024 were 902 and 899.

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, 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) is segregated into invested in capital assets, net of related debt; restricted; 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. 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 first-in, first-out method.

   d. 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.

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

f. 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 $7,000, are recorded as contributions when received.

g. 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 accrued water sales.

h. Debt Issue Costs – Costs related to the issuance of debt are expensed as incurred.

i. Net position - Net position comprise the various net earnings from operating income, nonoperating 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."

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 and has concluded that there are no subsequent events that materially impact the financial statements.

3. CAPITAL ASSETS

Changes in capital assets were as follows:

	2024	Additions	Disposals & Transfers	2025
Nondepreciable capital assets:				
Land	14,400	-	-	14,400
	14,400	-	-	14,400
Depreciable capital assets:				
Other equipment	279,053	5,548	-	284,601
Line extensions and tower	5,599,265	1,954,387	-	7,553,652
Office equipment	120,166	-	-	120,166
Pumps and motors	121,961	-	-	121,961
Building	68,035	-	-	68,035
Radio equipment	219,199	-	-	219,199
Vehicle	90,482	-	-	90,482
	6,498,161	1,959,935	-	8,458,096
Less accumulated depreciation	(3,480,692)	(184,999)		(3,665,691)
Depreciable capital assets, net	3,017,469	1,774,936	-	4,792,405
Total capital assets, net	3,031,869	1,774,936	-	4,806,805

	2023	Additions	Disposals & Transfers	2024
Nondepreciable capital assets:				
Land	14,400	-	-	14,400
	14,400	-	-	14,400
Depreciable capital assets:				
Other equipment	277,713	1,340	-	279,053
Line extensions and tower	5,406,608	192,657	-	5,599,265
Office equipment	120,166	-	-	120,166
Pumps and motors	121,961	-	-	121,961
Building	68,035	-	-	68,035
Radio equipment	219,199	-	-	219,199
Vehicle	75,785	35,700	(21,003)	90,482
	6,289,467	229,697	(21,003)	6,498,161
Less accumulated depreciation	(3,321,509)	(180,186)	21,003	(3,480,692)
Depreciable capital assets, net	2,967,958	49,511	-	3,017,469
Total capital assets, net	2,982,358	49,511	-	3,031,869

4. CASH AND INVESTMENTS

Deposits - At October 31, 2025 and 2024, the District's deposits were covered by federal depository insurance or by collateral held by the District's agent in the District's name. The District's investments at October 31, 2025 and 2024 were carried at cost which is the same as market value.

Investments - State statutes also authorize municipalities to invest general operating monies in direct obligations of the United States government or its agencies or in repurchase agreements if local financial institutions are not able to pay the average Treasury bill rate. All investments must be insured, registered or held by the municipality or its agent in the municipality's name.

5. LONG-TERM DEBT

Kansas Rural Water Finance Authority (KRWFA) Series 2020 Revenue Bonds
In July 2020, the District issued Series 2020 Revenue Bonds in the amount of $1,315,000. The average net interest rate of the bond issue is 1.915% with a final bond maturity scheduled for October 1, 2031. The bond issue funded refinancing of existing debt only. There were no additional asset purchases associated with this bond issue. The bond is payable in annual installments of $80,000 to $120,000 beginning October 1, 2020 through maturity on October 1, 2031. Per the agreement, the District is required to establish and fund a bond reserve account with a balance equal to $131,500. The balance in the reserve account as of October 31, 2025 and 2024 was $209,740 and $200,321, respectively.

Kansas Public Water Supply Loan Fund (KPWSLF) Project No. 3203
In August 2024 the District entered into a loan agreement with the Kansas Department of Health and Environment (KDHE) under which the District can borrow up to $2,300,000 at a combined interest and service fee rate of 2.38%. The loan funded the replacement of approximately 40,000 feet of water distribution pipe and associated infrastructure and is secured by a pledge of system revenues. The loan is payable in semi-annual installments of $69,269 beginning February 1, 2026 through maturity on August 1, 2045. Per the agreement, the District is required to establish and fund a reserve account with a balance of at least ten percent of the outstanding loan balance. The balance in the reserve account as of October 31, 2025 and 2024 was $219,592 and $0, respectively.

Details of revenue bonds and other long-term debt outstanding at October 31, 2025 and 2024 are as follows:

	2025	2024
KRWFA Series 2020 Revenue Bonds	$ 850,000	$ 950,000
KPWSLF Project No. 3203 Note Payable	2,195,920	-
	3,045,920	950,000
Less current portion	193,323	100,000
	$ 2,852,597	$ 850,000

The District is required to maintain a Debt Service Coverage Ratio, as defined in the loan agreements of at least 125%.

Interest expense on long-term debt totaled $35,418 and $19,900 for the years ended October 31, 2025 and 2024.

Changes to the District's long-term debt are as follows:

Total long-term debt, beginning	$ 950,000
Advances	2,195,920
Principal payments	(100,000)
Total long-term debt, ending	3,045,920
Less current portion	193,323
Noncurrent portion	$ 2,852,597

Future maturities of long-term debt are as follows:

	Principal	Interest	Total
2026	$ 193,323	$ 66,115	$ 259,438
2027	193,903	63,435	257,338
2028	201,032	59,626	260,658
2029	208,211	55,577	263,788
2030	215,443	51,275	266,718
Thereafter	2,034,008	344,962	2,378,970
	$ 3,045,920	$ 640,990	$ 3,686,910

Debt Service Coverage Ratio Calculation:

Increase (decrease) in Net Position	$ 62,768
Add:	
Depreciation and amortization	184,999
Interest expense	35,418
Income available for debt service	$ 283,185
Debt service	
Interest expense	$ 35,418
Principal payments	100,000
	$ 135,418
Debt service coverage ratio	2.09

6. PENSION PLAN

Description of Pension Plan

The District participates in a cost-sharing multiple-employer pension plan ("Pension Plan"), administered by the Kansas Public Employees Retirement System ("KPERS"). 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 employee group.

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

Benefits

Benefits are established by statute and may only be changed by the Legislature. Members 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 credited service equal 85 "points'.

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, members may 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. For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

Contributions

Member contribution rates are established by state law, and are paid by the employee according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined based on the results of an annual actuarial valuation. 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.

The actuarially determined employer contribution rates and the statutory contribution rates for local government employees are 9.26% and 9.26%, respectively. Member contribution rates as a percentage of eligible compensation in fiscal year 2025 are 7.00% for local government employees. The contribution requirement for the years ended October 31, 2025 and 2024 was $26,960 and $17,193, which consisted of $10,346 and $6,843 from employees and $16,614 and $10,350 from the District, respectively.

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. The allocation percentages for the District's share of the collective pension amounts as of June 30, 2024 and 2023 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, 2024 and 2023.

The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2024 and 2023, the District's proportion was .0046% and .0032%, respectively.

Net Pension Liability

At October 31, 2025 and 2024 the District reported a liability of $96,929 and $67,091, for its proportionate share of the net pension liability.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2023, which was rolled forward to June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.75%
Salary increase	3.50 to 15.50 percent, including price inflation
Investment rate of return, net of investment expense, and including price inflation	7.00%

Mortality rates were based on the RP-2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Scale MP-2016.

The actuarial assumptions used in the December 31, 2022, valuation were based on the results of an actuarial experience study conducted for the period 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 and by adding expected inflation.

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

Asset Class	Long-Term Target Allocation	Long-Term Expected Real Rate of Return
Non-U.S. Equities	43.00%	8.20%
Core Fixed Income	13.00	2.20
Yield Driven	12.00	5.30
Infrastructure	3.00	6.80
Real Estate	15.00	5.70
Alternatives	11.00	12.00
Short Term Investments	3.00	0.30
Total	**100.00%**	

Discount Rate

The discount rate used to measure the total pension liability at the measurement date of June 30, 2024 was 7.00%. The discount rate used to measure the total pension liability at the prior measurement date of June 30, 2023 was 7.00%. The projection of cash flows used to determine the discount rate was based on member and employer contributions.

The Local, Kansas Police and Firemen, and Judges groups are contributing at the full actuarial contribution rate.

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%)
$140,326	$96,929	$60,660

Pension Expense

For the years ended October 31, 2025 and 2024, the District recognized pension expense of $26,960 and $17,193 which include 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

At October 31, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	11,791	-
Changes of assumptions	5,859	-
Net differences between projected and actual earnings on investments	593	-
Changes in proportion	22,513	568
	$ 40,756	$ 568

The following table provides the net deferred outflows/(deferred inflows) of resources that will be recognized in pension expense in future years:

Deferred outflows/(inflows) of resources:	
2025	$ 10,980
2026	16,310
2027	8,253
2028	4,645
	$ 40,188

7. 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 October 31, 2025.

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