RURAL WATER DISTRICT NO. 5 DOUGLAS COUNTY

FINANCIAL STATEMENTS

For the Years Ending December 31, 2024 and 2023

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RURAL WATER DISTRICT NO. 5 DOUGLAS COUNTY

Financial Statements
For the Years Ending December 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rural Water District No. 5
Lawrence, 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. 5 Douglas County (the District), as of and for the years ending December 31, 2024 and 2023, 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. 5 Douglas County as of December 31, 2024 and 2023, 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). 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions of the financial statements that collectively comprise the District's financial statements as a whole. The budgetary comparison schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. That schedule is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying account and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

February 25, 2025

RURAL WATER DISTRICT NO. 5 DOUGLAS COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Our discussion of the financial performance of Rural Water District No. 5, Douglas County, Kansas (the District), provides an overview of the financial activities of the District for the fiscal year ended December 31, 2024 and comparative data for the years ended December 31, 2024 and December 31, 2023. This information is presented in conjunction with the audited financial statements that follow this section.

The financial statements presented in this report consist of the *statements of net position, statements of activities and changes in net position,* and the *statement of cash flows.* The statement of net position provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for assessing the liquidity and financial flexibility of the District. The current year's revenues and expenses are accounted for in the statement of activities and changes in net position. This statement reports the revenues and expenses during the time period indicated and can be used to determine whether the District has successfully recovered all its costs through user fees and other charges. The primary purpose of the statement of cash flows is to provide information about the District's cash receipts and cash payments. This statement reports cash receipts, cash payments, and net changes in cash resulting from activities related to operations, capital and related financing and investing.

Financial Highlights

The District's total assets decreased by $157,164 from December 31, 2023, to December 31, 2024. This was principally due to an increase in accumulated depreciation in 2024.

The District's net position decreased by $193,325 from December 31, 2023, to December 31, 2024. This was principally due to a decrease in management fee income during 2024.

The District had a loss from operations of $32,194 after recognizing depreciation and amortization expense of $199,929 in 2024 compared to a loss from operations of $318,742, after recognizing depreciation and amortization expense of $199,918 in 2023.

The District's expense from non-operating revenues [expenses] was $[253,074], after recognizing bond payments of $[363,000], management fees of $63,906 and interest income of $46,020 in 2024 compared to revenues from non-operating revenues [expenses] of $60,821 after recognizing bond payments of $[348,245], management fees of $369,495, and interest income of $39,571 in 2023.

Total cash on hand as of December 31, 2024, was $1,272,721 which was a decrease of $32,069 over the cash on hand amount of $1,304,790 on December 31, 2023.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the District.

The District's basic financial statements comprise two components: 1) basic financial statements, and 2) notes to financial statements.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the figures provided in the financial statements. The notes to basic financial statements can be found on pages 9-19 of this report.

Net Position

The District's net investment in capital assets (e.g., land, buildings and equipment), less any related debt outstanding used to acquire those assets decreased by $93,506 in 2024 when compared to 2023. The District uses these capital assets to provide services to its participating members (customers); consequently, these assets are not available for future spending.

The unrestricted net position may be used to meet the District's ongoing obligations to its customers and creditors.

Current Assets

The District's current assets decreased by $63,658 in 2024 compared to 2023.

Capital Assets

The District's capital assets, net of accumulated depreciation, for its business-type activities as of December 31, 2024 and 2023 was $2,430,780 and $2,524,286, respectively. This includes land, buildings, facilities and equipment.

Additional information on the District's capital assets can be found in Note 2.E on page 12-13 of this report.

Current Liabilities

The District's current liabilities increased by $21,410 in 2024. This is principally due to an increase in vendor payments due, but not yet paid, at the end of 2024.

Long Term Debt

The District does not currently have any debt for the years ended December 31, 2024 and 2023.

Economic Factors and Next Year's Budget and Rates

The annual budget outlines Management's plan to carry out the District's mission of providing a safe and dependable supply of potable water for the customers the District serves.

As a product of an ongoing examination of how the District conducts its business, the budget seeks to assure that the District has the necessary funds to accomplish its objectives, while ensuring that the rates and charges remain as competitive as possible.

Continued slow growth within the District is anticipated. The potential consolidation with a surrounding district and cities is a factor that could have an impact on operations, the Board of Directors continues to monitor and participate in that process.

Requests for Information

This financial report is designed to provide citizens, customers, investors and creditors with a general overview of the District's finances, and to demonstrate the District's financial accountability. If you have any questions about this report or desire any additional information, contact the general manager at 946 E. 650 Road, Lawrence, KS 66047.

RURAL WATER DISTRICT NO. 5 DOUGLAS COUNTY

STATEMENT OF NET POSITION
As of December 31, 2024 and 2023

	2024	2023
Assets		
Current assets:		
Cash	$ 259,867	$ 447,471
Short-term investments	1,012,854	857,319
Accounts receivable	102,392	137,206
Prepaid	60,165	63,167
Inventory	61,345	55,118
Total current assets	1,496,623	1,560,281
Noncurrent assets:		
Capital assets, nondepreciable		
Land	53,353	53,353
Capital assets, depreciable		
Property, plant, and equipment	7,661,774	7,555,351
Less: accumulated depreciation	[5,284,347]	[5,084,418]
Total noncurrent assets	2,430,780	2,524,286
Total assets	3,927,403	4,084,567
Deferred outflows of resources		
Pensions	78,600	145,765
Total assets and deferred outflows of resources	$ 4,006,003	$ 4,230,332
Liabilities		
Current liabilities:		
Accounts payable	$ 34,517	$ -
Accrued payroll	26,300	25,992
Compensated absences payable	27,541	40,956
Total current liabilities	88,358	66,948
Noncurrent liabilities:		
KPERS net pension liability	387,544	518,812
Total noncurrent liabilities	387,544	518,812
Total liabilities	475,902	585,760
Deferred inflows of resources		
Pensions	88,899	10,045
Total liabilities and deferred inflows of resources	$ 564,801	$ 595,805
Net position:		
Net investment in capital assets	$ 2,430,780	$ 2,524,286
Unrestricted	1,010,422	1,110,241
Total net position	$ 3,441,202	$ 3,634,527

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

RURAL WATER DISTRICT NO. 5 DOUGLAS COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2024 and 2023

	2024	2023
Operating revenues		
Water sales	$ 1,408,280	$ 1,443,662
Reimbursements	2,175	1,800
Late charges	13,356	14,630
Other fees	31,387	7,101
Total operating revenues	1,455,198	1,467,193
Operating expenses		
Water purchases	597,833	583,780
Wages	264,596	532,471
Payroll taxes	21,692	44,223
Water protection fees	4,278	4,264
Contract services	13,234	9,083
Health insurance	39,352	77,764
KPERS	130,818	143,299
Insurance	38,449	23,702
Utilities	14,626	16,762
Telephone, internet and radio	4,891	3,363
Office supplies and postage	22,246	27,938
Vehicle expenses	18,928	20,657
Professional fees	6,010	6,768
Inventory purchases	38,530	34,117
Depreciation	199,929	199,918
Repairs and maintenance	28,639	36,599
Engineering	1,018	4,891
Bank fees	4,353	4,213
Dues	1,380	1,140
Miscellaneous	36,590	10,983
Total operating expenses	1,487,392	1,785,935
Operating income [loss]	[32,194]	[318,742]
Non-operating revenues [expenses]		
Interest income	46,020	39,571
Management fee	63,906	369,495
Bond payments for PWWSD 25 - Note 3.D	[363,000]	[348,245]
Total nonoperating revenues [expenses]	[253,074]	60,821
Net income [loss] before contributions	[285,268]	[257,921]
Capital contributions		
Benefit units and aid in construction	91,943	101,420
Change in net position	[193,325]	[156,501]
Net position - beginning of year	3,634,527	3,791,028
Net position - end of year	$ 3,441,202	$ 3,634,527

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

RURAL WATER DISTRICT NO. 5 DOUGLAS COUNTY

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Cash receipts from customers and reimbursements for services	$ 1,490,012	$ 1,434,092
Cash payments for goods and services	[991,575]	[1,054,968]
Cash payments to employees for services	[262,952]	[498,422]
Net cash provided by [used in] operating activities	235,485	[119,298]
Cash flows from investing activities		
Interest income	46,020	39,571
Net cash provided by [used in] investing activities	46,020	39,571
Cash flows from capital and related financing activities		
Bond payments for PWWSD 25 - Note 3.D	[363,000]	[348,245]
Proceeds from the sale of benefit units/contribution in aid	91,943	101,420
Cash receipts from management fee	63,906	369,495
Purchase of capital assets	[106,423]	[90,746]
Net cash provided by [used in] capital and related financing activities	[313,574]	31,924
Net increase [decrease] in cash and cash equivalents	[32,069]	[47,803]
Cash and cash equivalents, January 1	1,304,790	1,352,593
Cash and cash equivalents, December 31	$ 1,272,721	$ 1,304,790
Reconciliation of operating income [loss] to net cash provided by [used in] operating activities		
Operating income [loss]	$ [32,194]	$ [318,742]
Adjustments to reconcile operating income [loss] to net cash provided by [used in] operating activities		
Depreciation expense	199,929	199,918
[Increase] decrease in accounts receivable	34,814	[33,101]
[Increase] decrease in prepaid expenses	3,002	[4,971]
[Increase] decrease in inventory	[6,227]	-
[Increase] decrease in deferred outflows - pensions	67,165	41,144
Increase [decrease] in accounts payable	34,517	3,549
Increase [decrease] in accrued payroll	308	[25,847]
Increase [decrease] in compensated absences payable	[13,415]	[1,411]
Increase [decrease] in net pension liability	[131,268]	14,664
Increase [decrease] in deferred inflows - pensions	78,854	5,499
Net cash provided by [used in] operating activities	$ 235,485	$ [119,298]

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

RURAL WATER DISTRICT NO. 5 DOUGLAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ending December 31, 2024 and 2023

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Rural Water District No. 5, Douglas County (the District) was organized under Kansas law with the purpose and objective to acquire water rights, and to build and acquire pipelines for the purpose of furnishing water for domestic, agriculture, and/or other purposes to rural customers. The District provides services to patrons located within the District. The benefit units in service as of December 31, 2024 and 2023 was 1,320 and 1,310.

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.

The District invests its unrestricted cash in a financial institution in northeast Kansas.

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 the last week of each month, all readings are processed later that week so that monthly billing can the mailed by the end of the month. Payments for water are due the 16th day of the following month or will be subject to a 10% late charge. The base rate charge for 2024 was $36 and usage was billed at $12.00 per 1,000 gallons. The base rate charge for 2023 was $36, and usage was billed at a rate of $12.00 per 1,000.

G. Inventory

The District's inventory is valued at cost. Cost is determined by the average cost method.

H. Benefit Units

Benefit units are rights that entitle the holder to water service. Benefit units are presently sold for $6,800 per meter.

I. Aid in Construction

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Revenues and expenses

Revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities.

K. 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 presented as supplementary information.

L. 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.

The District's capitalization policies are as follows:

Asset Type	Capitaliation Threshold	Useful Life
Rural water system	$ 5,000	20 - 40 years
Building and improvements	5,000	15 - 40 years
Operating equipment	5,000	5 - 10 years

M. 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."

N. 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.

O. 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.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. 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, 2024 and 2023:

	2024	2023
Demand deposit accounts	$ 259,867	$ 213,738
Certificates of deposit	1,012,854	1,091,052
Total cash and cash equivalents	$1,272,721	$1,304,790

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%.

As of December 31, 2024 and 2023, the District's carrying amount of deposits were $1,272,721 and $1,304,791, respectively, and the bank balance was $1,311,444 and $1,313,541, respectively. Of the bank balance as of December 31, 2024, $1,000,000 was covered by federal depository insurance, and $304,791 was collateralized with securities held by the pledging financial institutions’ agents in the District’s name, CDARS accounts and insured cash sweep accounts.

Note 2. DETAILED NOTES (Continued)

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 and prepaid water contracts with the Kansas Water Office.

E. Capital Assets

Capital asset activity for the years ending December 31, 2024 and 2023 was as follows:

	Balance January 1, 2024	Additions	Deletions	Balance December 31, 2024
Nondepreciable assets:				
Land	$ 53,353	$ -	$ -	$ 53,353
Depreciable assets:				
Rural water system	6,937,795	46,085	-	6,983,880
Building and improvements	142,211	10,104	-	152,315
Operating equipment	475,345	50,234	-	525,579
Total capital assets	7,608,704	106,423	-	7,715,127
Less accumulated depreciation for:				
Rural water system	4,621,039	179,855	-	4,800,894
Building and improvements	99,545	4,461	-	104,006
Operating equipment	363,834	15,613	-	379,447
Total accumulated depreciation	5,084,418	199,929	-	5,284,347
Capital assets, net	$ 2,524,286	$ [93,506]	$ -	$ 2,430,780

Note 2. DETAILED NOTES (Continued)

E. Capital Assets (Continued)

	Balance January 1, 2023	Additions	Deletions	Balance December 31, 2023
Nondepreciable assets:				
Land	$ 53,353	$ -	$ -	$ 53,353
Depreciable assets:				
Rural water system	6,904,584	33,211	-	6,937,795
Building and improvements	142,211	-	-	142,211
Operating equipment	417,809	57,536	-	475,345
Total capital assets	7,517,957	90,747	-	7,608,704
Less accumulated depreciation for:				
Rural water system	4,440,721	180,318	-	4,621,039
Building and improvements	95,990	3,555	-	99,545
Operating equipment	347,788	16,046	-	363,834
Total accumulated depreciation	4,884,499	199,919	-	5,084,418
Capital assets, net	$ 2,633,458	$ [109,172]	$ -	$ 2,524,286

Depreciation expense was $199,929 and $199,918 for the years ended December 31, 2024 and 2023.

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.

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:

Note 3. OTHER INFORMATION (Continued)

C. Defined Benefit Pension Plan (Continued)

- 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.kpers.org.

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.

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.

Note 3. OTHER INFORMATION (Continued)

C. Defined Benefit Pension Plan (Continued)

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, 2024.

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:

	Actuarial Employer Rate	Statutory Employer Capped Rate
Local employees	9.26%	9.26%

Member contribution rates as a percentage of eligible compensation for the KPERS fiscal year 2024 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.

The allocation percentages for the District's share of the collective pension amounts as of December 31, 2024, 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.

The contributions used exclude contributions made for prior service, excess benefits and irregular payments. As of June 30, 2024, the District's proportion for the Local employees group was 0.018%, which did not change from its proportion measured at June 30, 2023.

Net Pension Liability. As of December 31, 2024 and 2023, the District reported a liability of $387,544 and $518,812, 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, 2024, which was rolled forward to June 30, 2024, using the following actuarial assumptions:

Note 3. OTHER INFORMATION (Continued)

C. Defined Benefit Pension Plan (Continued)

Assumptions	Rate
Price inflation	2.75%
Wage inflation	3.50%
Salary increases, including wage increases	3.5% to 15.50%, 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 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
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%
	100.00%	

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.

Note 3. OTHER INFORMATION (Continued)

C. Defined Benefit Pension Plan (Continued)

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%)
$561,058	$387,544	$242,534

Pension Expense. For the years ending December 31, 2024 and 2023, the District recognized Local pension expense of $52,149 and $107,863, 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, 2024, 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	$ 47,142	$ -
Differences between projected and actual earnings on investments	2,374	-
Changes of assumptions	23,425	-
Changes in proportion	5,659	[88,899]
Total	$ 78,600	$ [88,899]

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

Year ended December 31,	Deferred [Inflows] Outflows Amount
2025	$ 2,365
2026	17,936
2027	[13,656]
2028	[16,944]
2029	-
Total	$ [10,299]

Note 3. OTHER INFORMATION (Continued)

D. Contracts and Commitments

In June of 1974, the District entered into a 40-year contract with an addendum added in May 1975, for treatment of water from the City of Lawrence, Kansas. New contracts were entered into in December 1998 and October 2008.

In 1977, The District entered into a 40-year contract with the State of Kansas, represented by the Kansas Water Resources Board, which allows the District to withdraw 48 million gallons of water from Clinton Lake. The Kansas Water Resources Board has the right to review the contract and determine a new rate every ten years. In 1995, the District entered into an additional 40-year contract with the State of Kansas, Represented by the Kansas Water Resources Board, which allows the District to withdraw 135 million gallons of water from Clinton Lake.

The City of Lawrence treats, processes and transports water to Rural Water District No. 5.

The District has also entered into an agreement with Public Wholesale Water Supply District No. 25 (PWWSD) which is a wholesale water utility that provides wholesale domestic water service. PWWSD was organized under authority of State Law, K.S.A. 19-3501 et. seq. Its purpose is to develop and ultimately operate a public water supply system that can deliver water to wholesale members. Its members currently consist of two entities: Rural Water District No. 5, Douglas County, and Rural Water District No. 5, Osage County. Rural Water District No. 5, Douglas County, and Rural Water District No. 5, Osage County, together serve an area located south and west of the City of Lawrence, Kansas. Collectively they provide drinking water to approximately 10,000 persons including farmers, ranchers, homeowners, and small businesses throughout their respective districts.

PWWSD has water purchase contracts with Rural Water District No. 5, Douglas County and Rural Water District No. 5, Osage County, that are 40-year contracts for these member entities to purchase water from the District. These contracts allow both entities to purchase up to 1 million gallons per day and both Douglas No. 5 and Osage No. 5 agree to pay 50% of the debt service costs of the PWWSD. PWWSD started supplying water under this agreement in late 2019.

As part of the agreement with PWWSD, the District is required (as is Osage Rural Water District No. 5) to make payments to PWWSD so that PWWSD can pay its bond and interest obligations. The District's payments to PWWSD under this agreement totaled $363,000 in 2024 and $348,000 in 2023.

For the 2024 calendar year through 2056, additional payments estimated at $348,000 each year will need to be paid by the District to the PWWSD so that the PWWSD can pay its bond and interest obligations.

E. Concentrations of Credit Risk

The District is engaged in the sale of water to customers located in and around Douglas County, Kansas.

F. Line Extensions and Meter Deposits

The District requires benefit holders to pay the cost of extending lines. The charges for these extensions as of December 31, 2024, and 2023, were $26,620 and $4,000, respectively.

Note 3. OTHER INFORMATION (Continued)

G. Compensated Absences (Continued)

Vacation Leave. Only full-time employees of the District earn paid vacation time. Vacation time accumulates depending on the following schedule:

Years of Service	Accumulated Days	Maximum Accumulated Days
1 -5	10	16
6 - 7	12	20
8 - 10	15	24
11 - 15	18	28
16+	20	32

Any employee who separates from service through resignation, layoff, termination, retirement, or death shall be compensated for all unused and accumulated vacation leave.

Sick Leave. Full-time employees of the District earn paid sick leave. Sick leave accumulates at a rate of eight hours per month, accumulating to a maximum of 1,040 hours. Any employee who separates from service through resignation, layoff, termination, retirement, or death shall be compensated for 25% of unused and accumulated sick leave.

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, 2024.

I. Subsequent Event Review

Subsequent events for management's review have been evaluated through February 25, 2025, the date the financial statements were available to be issued.

RURAL WATER DISTRICT NO. 5 DOUGLAS COUNTY

BUDGETARY COMPARISON
For the Year Ended December 31, 2024

	2024	Budget	Variance Over [Under]
Revenues			
Water sales	$ 1,408,280	$ 1,404,462	$ 3,818
Late charges	13,356	13,000	356
Interest income	46,020	25,500	20,520
Management fee	63,906	71,796	[7,890]
Reimbursements	2,175	-	2,175
Benefit units or connection fees	91,943	68,000	23,943
Other fees	31,387	3,000	28,387
Total revenues	1,657,067	1,585,758	71,309
Expenses			
Water purchases	597,837	588,337	9,500
Wages	264,596	280,158	[15,562]
Payroll taxes	21,692	21,827	[135]
Water protection fees	4,278	4,400	[122]
Contract services	13,234	9,000	4,234
Health insurance	39,352	33,718	5,634
KPERS	130,814	24,368	106,446
Insurance	38,449	35,000	3,449
Utilities	14,626	12,000	2,626
Telephone, internet and radio	4,891	8,500	[3,609]
Office supplies and postage	22,246	24,000	[1,754]
Vehicle expenses	18,928	14,150	4,778
Professional fees	6,010	10,500	[4,490]
Inventory purchases	38,530	35,000	3,530
Depreciation	199,929	215,000	[15,071]
Repairs and maintenance	28,639	35,000	[6,361]
Engineering	1,018	4,000	[2,982]
Bank fees	4,353	-	4,353
Dues	1,380	7,000	[5,620]
Bond payments for PWWSD 25 - Note 14	363,000	203,994	159,006
Miscellaneous	36,590	3,500	33,090
Total expenses	1,850,392	1,569,452	280,940
Receipts over [under] expenditures	$ [193,325]	$ 16,306	$ [209,631]

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