Acord Cox & Scott, LLC
Certified Public Accountants

RURAL WATER DISTRICT NO. 3
NEMAHA COUNTY, KANSAS

Financial Statements for the
Years Ended December 31, 2023 and 2022
and Independent Auditors' Report

RURAL WATER DISTRICT NO. 3
NEMAHA COUNTY, KANSAS

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INDEPENDENT AUDITORS' REPORT

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

Qualified Opinion

We have audited the accompanying financial statements of Rural Water District No. 3, Nemaha County (the "District"), which comprise the statements of net position as of December 31, 2023 and 2022, 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, except for the effects of the matter discussed in the Basis for Qualified Opinion section, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the District as of December 31, 2023 and 2022, 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.

Basis for Qualified Opinion

As more fully described in Note 7 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 2023 and 2022, KPERS computed and published the net pension liability (NPL) as of June 30, 2022 and 2021, respectively, for each participating employer.

The implementation of GASB No. 68 would have resulted in the District recording a net pension liability of approximately $176,000 and $97,000 at December 31, 2023 and 2022, respectively.

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 other 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 these 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

January 25, 2024

Rural Water District No. 3

Nemaha County, Kansas

Management's Discussion and Analysis

This section of the Rural Water District No. 3, Nemaha County, Kansas' Annual Financial Report presents an analysis of the District's financial performance during the fiscal years ended December 31, 2023 and 2022. This information is prepared by RWD No. 3 and presented in conjunction with the annual audited financial report prepared by the District's independent auditing firm.

Rural Water District No. 3 Financial Overview for 2023

- Total assets increased by $287,196 from $9,290,247 in 2022 to $9,577,443 in 2023.
- Total liabilities decreased by $75,175 from $1,117,373 in 2022 to $1,042,198 in 2023.
- Net Position increased by $362,371 from $8,172,874 in 2022 to $8,535,245 in 2023.
- Total operating revenues for 2023 were $1,181,240, a $84,090 increase from $1,097,150 in 2022.
- Total operating expenses for 2023 were $977,605, a $4,584 increase from $973,021 in 2022.
- New equipment and water system construction improvements of $257,734 were added in 2023.
- Outstanding long-term debt decreased by $186,243 from $1,031,616 on December 31, 2022 to $845,373 on December 31, 2023.

Overview of the Financial Statements

This report will include Management's Discussion and Analysis, Financial Statements for the years ended December 31, 2023 and 2022, along with the Independent Auditors' Report. The Independent Auditors' Report will include notes and supporting details for information presented in 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 provides 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 fiscal years ended December 31, 2023 and

2022. The Statements of Cash Flows present information on the District's cash receipts, cash payments and changes in cash 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 Districts' 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

	2023	2022	Dollar Change	Percent Change
Current and other assets	3,330,525	2,985,122	345,403	11.6%
Capital assets, net	6,006,281	6,064,488	(58,207)	-1.0%
Other assets, net	240,637	240,637	-	0.0%
Total Assets	**9,577,443**	**9,290,247**	287,196	3.1%
Long-term debt	653,289	845,374	(192,085)	-22.7%
Other liabilities	388,909	271,999	116,910	43.0%
Total Liabilities	**1,042,198**	**1,117,373**	(75,175)	-6.7%
Net position invested in capital assets, net of related debt	5,160,908	5,032,872	128,036	2.5%
Restricted net position	240,637	240,637	-	0.0%
Unrestricted net position	3,133,700	2,899,365	234,335	8.1%
Total Net Position	**8,535,245**	**8,172,874**	362,371	4.4%

Total assets increased by $287,196 from $9,290,247 in 2022 to $9,577,443 in 2023. Current and other assets increased in 2023, while capital assets decreased compared to 2022.

Total liabilities decreased by $75,175 from $1,117,373 in 2022 to $1,042,198 in 2023. The decrease is a result of a $192,085 decrease in long-term debt, and a $116,910 increase in all other liabilities.

Table 1 also indicates that the total net position increased by $362,371 from $8,172,874 in 2022 to $8,535,245 in 2023.

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

	2023	2022	Dollar Change	Percent Change
Operating revenues	1,181,240	1,097,150	84,090	7.7%
Non-operating revenues	64,753	20,817	43,936	211.1%
Total Revenues	**1,245,993**	**1,117,967**	**128,026**	**11.5%**
Depreciation & amortization expense	315,941	346,681	(30,740)	-8.9%
Other operating expense	661,664	626,340	35,324	5.6%
Non-operating expense	21,291	25,371	(4,080)	-16.1%
Total Expenses	**998,896**	**998,392**	**504**	**0.1%**
Income (loss) before capital contributions	247,097	119,575	127,522	106.6%
Capital contributions	115,274	74,089	41,185	55.6%
Changes in net position	362,371	193,664	168,707	87.1%
Beginning net position	8,172,874	7,979,210	193,664	2.4%
Total Net Position	**8,535,245**	**8,172,874**	**362,371**	**4.4%**

The Statements of Revenues, Expenses and Changes in Net Position presents revenue and expense items that affect the change in net position. As the information presented in Table 2 shows, income before capital contributions was $247,097 for the year ending December 31, 2023, compared to $119,575 in 2022. Capital Contributions were $115,274 in 2023 compared to $74,089 in 2022. Income plus contributions resulted in a $362,371 increase in net position during 2023 compared to $193,664 in 2022.

Table 2 reflects the District's total revenues increased by $128,026 from $1,117,967 in 2022 to $1,245,993 in 2023. The increase in revenues is a result of $82,248 increase in water sales and a net increase of $45,778 in other operating and non-operating revenues. The increase in water sales is attributed to an increase in customers in 2023 and an increase in water rates in December 2022. Total operating expenses increased by $4,584. Non-operating expense decreased by $4,080 from $25,371 in 2022 to $21,291 in 2023.

Net position increased by $362,371 from $8,172,874 on December 31, 2022 to $8,535,245 on December 31, 2023.

Long-Term Debt

In September 2012, all debt remaining at the time was refinanced with the issuance of Series 2012 Revenue Bonds in the amount of $1,780,000. The average net interest rate of the bond issue is 2.073% with a final bond maturity scheduled for August 1, 2025. RWD No. 3 made scheduled principal repayments in February and in August of 2023. Outstanding principal balance for this Series 2012 Bond as of December 31, 2023 was $290,000

A Kansas Public Water Supply Loan Fund, Project No. 2856, loan administered by Kansas Department of Health and Environment (KDHE), was finalized December 12, 2016. The initial loan principal was $794,984. The KDHE Project No. 2856 loan terms include semi-annual Principal and Interest payments of $24,850 and an annual gross interest rate of 2.31%. Pursuant to the loan, RWD No. 3 made scheduled loan payments on February 1, 2023 and August 1, 2023. The outstanding principal balance for this KDHE Project No. 2856 loan as of December 31, 2023 was $555,373. Included in the loan principal were funds to establish a $79,498 loan reserve account held by KDHE. Interest earnings on the loan reserve account are credited to each semiannual repayment. The loan reserve account principal will be credited to the final maturities of the loan. The final loan payment is scheduled for August 1, 2036.

Combined total outstanding debt, including current portion of the long term debt, as of December 31, 2023 was $845,373.

Economic Factors and Next Year's Budget and Rates

The staff and the Board of Directors reviews water rates, debt schedules, benefit unit fees and the long-range capital improvement plans on an annual basis. Adjustments to the rate and fee schedule are implemented as deemed appropriate or necessary to ensure that the district maintains a sound financial position.

A water rate schedule adjustment became effective for all water use and service after December 1, 2022. The management anticipates that the existing water rate schedule will be adequate to maintain a sound financial position throughout the year 2024.

The Board of Directors has adopted a 2024 budget that projects operating income of $82,773. The budget conservatively estimates gross revenues of $1,218,020, an increase of $36,780 from 2023 revenues of $1,181,240. The 2024 budget reflects a $136,351 increase in overall operating expense to $1,135,247 from $998,896 in 2023. The budgeted expense figure factors inflation and also the net anticipated changes for other operating expense line items.

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 Jeff Stallbaumer, Business Manager, Rural Water District No. 3, Nemaha County, KS at 905 US Highway 36, Seneca, Kansas.

RURAL WATER DISTRICT NO. 3
NEMAHA COUNTY, KANSAS

STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022

ASSETS	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	$ 1,336,171	$ 2,274,604
Accounts receivable	75,636	82,468
Interest receivable	6,728	2,049
Inventory	97,264	86,431
Prepaid expenses	17,382	15,373
Certificates of deposit	1,797,344	524,197
Total current assets	3,330,525	2,985,122
NONCURRENT ASSETS		
Reserve account	240,637	240,637
CAPITAL ASSETS		
Nondepreciable capital assets	71,825	63,629
Depreciable capital assets	13,906,041	13,669,742
Less accumulated depreciation	(7,971,585)	(7,668,883)
Depreciable capital assets, net	5,934,456	6,000,859
Total capital assets, net	6,006,281	6,064,488
Total assets	9,577,443	9,290,247
LIABILITIES		
CURRENT LIABILITIES		
Current maturities of long-term debt	192,084	186,242
Accounts payable and accrued expenses	130,220	51,503
Interest payable	8,270	10,008
Deposits	58,335	24,246
Total current liabilities	388,909	271,999
LONG-TERM DEBT, less current maturities	653,289	845,374
Total liabilities	1,042,198	1,117,373
NET POSITION		
Invested in capital assets, net of related debt	5,160,908	5,032,872
Restricted	240,637	240,637
Unrestricted	3,133,700	2,899,365
Total net position	$ 8,535,245	$ 8,172,874

See notes to financial statements

RURAL WATER DISTRICT NO. 3
NEMAHA COUNTY, KANSAS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
REVENUES		
Water sales	$ 1,163,129	$ 1,080,881
Other operating	18,111	16,269
	1,181,240	1,097,150
COSTS AND OPERATING EXPENSES		
Personnel costs	270,617	251,568
Depreciation and amortization	315,941	346,681
Chemical expense	60,810	48,770
Supplies	9,183	7,314
Utilities	107,475	120,718
Professional services	10,289	9,108
Transportation expense	13,696	14,601
Office and shop expense	10,395	23,047
Insurance	27,793	25,164
Repairs	74,397	51,868
Miscellaneous and lab testing	8,176	6,261
Cost of water purchased	43,261	45,493
Water use fees	25,572	22,428
	977,605	973,021
INCOME FROM OPERATIONS	203,635	124,129
NON-OPERATING REVENUES (EXPENSES)		
Interest expense	(21,291)	(25,371)
Interest income	64,753	20,817
	43,462	(4,554)
INCOME BEFORE CONTRIBUTIONS	247,097	119,575
CONTRIBUTIONS - BENEFIT UNITS AND AID-IN CONSTRUCTION	115,274	74,089
INCREASE IN NET POSITION	362,371	193,664
NET POSITION, BEGINNING OF YEAR	8,172,874	7,979,210
NET POSITION, END OF YEAR	$ 8,535,245	$ 8,172,874

See notes to financial statements.

RURAL WATER DISTRICT NO. 3
NEMAHA COUNTY, KANSAS

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
OPERATING ACTIVITIES:		
Cash receipts from customers	$ 1,222,161	$ 1,100,583
Cash payments to suppliers for goods and services	(595,789)	(645,656)
Net cash provided by operating activities	626,372	454,927
CAPITAL AND RELATED FINANCING ACTIVITIES:		
Additions to fixed assets	(257,734)	(227,816)
Advances (payments) on long term debt, net	(186,243)	(180,419)
Interest and loan fees paid	(23,029)	(26,969)
Contributions - Benefit units and aid-in construction	115,274	74,089
Net cash used in capital and related financing activities	(351,732)	(361,115)
INVESTING ACTIVITIES:		
Change in certificates of deposit	(1,273,147)	(207,350)
Interest received	60,074	20,533
Net cash used in investing activities	(1,213,073)	(186,817)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(938,433)	(93,005)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,274,604	2,367,609
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,336,171	$ 2,274,604
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	$ 203,635	$ 124,129
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	315,941	346,681
Changes in:		
Accounts receivable	6,832	(10,323)
Inventories	(10,833)	(6,776)
Prepaid expenses	(2,009)	(203)
Accounts payable and accrued liabilities	78,717	(12,337)
Deposits	34,089	13,756
Net cash provided by operating activities	$ 626,372	$ 454,927

See notes to financial statements.

RURAL WATER DISTRICT NO. 3
NEMAHA COUNTY, KANSAS

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

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, 2023 and 2022 were 1,279 and 1,265, respectively.

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. 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.

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

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

from the disposal is credited or charged in the nonoperating section of the statement of revenues, expenses and changes in net position.

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

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

g. 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.

h. 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.

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 assets 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

The District maintains its cash balances in three banks. At times, the District maintains deposits in financial institutions in excess of federally insured limits. Management monitors the soundness of these institutions and feels the District's risk is negligible. At December 31, 2023 and 2022, the District's deposits were covered by federal depository insurance or by collateral held by the District's agent in the District's name.

4. 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. Management of the District does not believe the related liability, if any, is material to the financial statements and accordingly has not accrued such a liability in the accompanying financial statements.

5. CAPITAL ASSETS

Changes in capital assets were as follows:

	2021	Additions	Disposals/ Transfers	2022
Nondepreciable capital assets:				
Land	59,775	-	-	59,775
Construction in progress	2,184	1,670	-	3,854
	61,959	1,670	-	63,629
Depreciable capital assets:				
Building	209,001	2,768	-	211,769
Tanks and standpipes	2,217,259	-	-	2,217,259
Transmission and distribution	10,849,086	176,984	-	11,026,070
Furniture and fixtures	115,679	46,394	-	162,073
Vehicles	52,571	-	-	52,571
	13,443,596	226,146	-	13,669,742
Less accumulated depreciation	(7,322,202)	(346,681)	-	(7,668,883)
Depreciable capital assets, net	6,121,394	(120,535)	-	6,000,859
Total capital assets, net	6,183,353	(118,865)	-	6,064,488

	2022	Additions	Disposals/ Transfers	2023
Nondepreciable capital assets:				
Land	59,775	-	-	59,775
Construction in progress	3,854	10,807	(2,611)	12,050
	63,629	10,807	(2,611)	71,825
Depreciable capital assets:				
Building	211,769	19,756	-	231,525
Tanks and standpipes	2,217,259	-	-	2,217,259
Transmission and distribution	11,026,070	220,793	-	11,246,863
Furniture and fixtures	162,073	8,988	(13,238)	157,823
Vehicles	52,571	-	-	52,571
	13,669,742	249,537	(13,238)	13,906,041
Less accumulated depreciation	(7,668,883)	(315,941)	13,239	(7,971,585)
Depreciable capital assets, net	6,000,859	(66,404)	1	5,934,456
Total capital assets, net	6,064,488	(55,597)	(2,610)	6,006,281

6. LONG-TERM DEBT

Kansas Public Water Supply Loan Fund – 2015
In January 2015 the District entered into a loan agreement with the KPWSLF under which the District borrowed $794,984 at an interest and service fee rate of 2.31% payable in semi-annual installments of $24,850 through maturity on August 1, 2036. As of December 31, 2023 and 2022, the outstanding balance of the loan was $555,373 and $591,616, respectively.

Per the agreement, the District maintains a loan reserve account in the amount of $79,498.

Series 2012 Revenue Bond
In September 2012 the District issued Series 2012 Revenue Bonds in the amount of $1,780,000 to refinance existing debt. The average net interest rate of the bond issue is 2.073% with a final bond maturity scheduled for August 1, 2025. The bond issue funded refinancing of existing debt only and there were no additional asset purchases associated with this bond issue. As of December 31, 2023 and 2022, the outstanding balance of the loan was $290,000 and $440,000, respectively.

Per the agreement, the District maintains a loan reserve account in the amount of $161,139 which is on deposit with a bank in the form of a certificate of deposit with a maturity date of September 2027.

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 $21,291 and $25,371 for the years ended December 31, 2023 and 2022, respectively.

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

Total long-term debt, beginning	$ 1,031,616
Advances	-
Principal payments	(186,243)
Total long-term debt, ending	845,373
Less current portion	192,084
Noncurrent portion	$ 653,289

Future maturities of long-term debt are as follows:

	Principal	Interest	Total
2024	$ 192,084	$ 16,845	$ 208,929
2025	172,946	12,392	185,338
2026	38,827	9,225	48,052
2027	39,730	8,460	48,190
2028	40,653	7,677	48,330
2029-2033	217,876	25,984	243,860
2034-2036	143,257	4,961	148,218
	$ 845,373	$ 85,544	$ 930,917

Debt Service Coverage Ratio Calculation:

Income from operations	$	203,635
Add:		
Depreciation and amortization		315,941
Income available for debt service	$	519,576
Debt service		
Interest expense	$	16,845
Principal payments		192,084
	$	208,929
Debt service coverage ratio		2.49

7. 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 2023 and 2022 payroll for employees covered by the System was $207,565 and $196,378, respectively.

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 years ended December 31, 2023 and 2022 was $32,027 and $30,259, respectively, which consisted of $12,454 and $11,783 from employees and $19,573 and $18,476, respectively from the District; these contributions represented approximately 15.4% and 15.4% percent of 2023 and 2022 covered payroll, respectively.

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, 2023, 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 $176,000 and $97,000 at December 31, 2023 and 2022, respectively, for its proportionate share of the net pension liability.

8. 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, 2023 and 2022.

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