RURAL WATER DISTRICT NO. 7
JOHNSON COUNTY, KANSAS

FINANCIAL STATEMENTS
FOR THE YEARS ENDED

DECEMBER 31, 2023 AND 2022

TOGETHER WITH

INDEPENDENT AUDITOR'S REPORT

RURAL WATER DISTRICT NO. 7
JOHNSON COUNTY, KANSAS

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Troutt Beeman & Co., P.C.
—CPAs & BUSINESS ADVISORS—

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rural Water District No. 7
Johnson County, Kansas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities of Rural Water District No. 7, Johnson County, Kansas (the District), as of and for the years ended December 31, 2023 and 2022 and 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of December 31, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 opinions.

Responsibilities of Management for the Financial Statements

The District's 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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinions. 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 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 GAAS, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of the Employer's Proportionate Share of the Net Pension Liability and Related Ratios, the Schedule of Contributions, and the OPEB Information on pages 4-11 and 32-34 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.

Tuttle, Beeman & Co., P.C.

Olathe, Kansas
August 09, 2024

WATER DISTRICT NO. 7
JOHNSON COUNTY, KANSAS
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August 09, 2024

MANAGEMENT DISCUSSION & ANALYSIS REPORT
JANUARY 1, 2023 – DECEMBER 31, 2023

In accordance with guidelines as prescribed in the Governmental Accounting Standards Board (GASB), Statement No. 34, Rural Water District No. 7, Johnson County, Kansas, is submitting this Management Discussion & Analysis Report (MD&A) along with a copy of the audited financial statements performed by the accounting firm Troutt, Beeman & Co., P.C., of Olathe, Kansas. The MD&A report is provided to give the reader a general overview of the activities of the District in its fiscal year 2023, while the audited financial statements provide a general overview of the District's financial position.

General Information

The District was formed and incorporated in 1968. The District secured financing from Farmer's Home Administration (FmHA) in 1974 and began construction of the water system. Construction was completed in 1975 with service to nearly 600 customers realized. The District serves established territories in Johnson, Miami & Douglas Counties in Kansas.

The District is governed by a nine (9) member Board of Directors (BOD) that oversees the total operations and management of the District. The BOD has regularly scheduled monthly meetings to address any concerns, issues, or actions that are needed for the management and operation of the District. The BOD employs a manager who is responsible for the water system's daily activities, operations, and maintenance. The manager is also responsible for the staffing of the District. The District has a staff of nine (9) individuals who perform the duties necessary for its daily operations.

The District has "Service Area Agreements" with most of its municipal city neighbors, including: Olathe, Gardner, Spring Hill, Edgerton and the Johnson County Airport Commission. These agreements stipulate the service area for each entity's boundary with the other, normally defined by a boundary line. This allows each entity to plan its existing and future service areas, as well as its capital improvements within these defined areas. Ideally, this will promote cooperation between the entities and enable the services to these areas to be provided at a reasonable cost without question of which entity will be serving the area.

Water Supply

When first formed, the District had a single source of water supply, the City of Olathe. Since that time, it has developed other supply sources, as well as emergency interconnections, that are used to provide the overall wholesale supply and emergency service for the District. The wholesale supply sources are further summarized:

- City of Olathe: This wholesale supply source provides a supply to the northern half of the District's South Pressure Zone. The Point of Delivery (POD) is located on 151st Street, west of Old Highway 56. Olathe has informed the District that it will cease providing a wholesale supply to the District at the termination of this contract, which is December 31, 2031. In the interim, the District is working on replacing the 151st Street connection supply with another wholesale source.

- WaterOne of Johnson County (WO): This is the most recent wholesale supply the District has established, which was put into service in May 2023. It replaces a wholesale supply that had provided service to CRWD6, by the City of Olathe, for several decades. This new connection is along the 135th Street corridor, west of Hedge Lane Road, in western Olathe. This connection includes a new Booster Pump Station, which will assist the District in meeting system demands for many years. The agreement between the District and WaterOne is for 20 years (December 2041) with an option to extend it an additional 10 years.

- Hillsdale Reservoir: This Corps of Engineer's reservoir source was established as a wholesale source of water for the District in 1987. The Hillsdale supply is purchased through a raw water assuredness (marketing) contract with the Kansas Water Office (KWO). The District belongs to a nine-member Interlocal group called the "Hillsdale Area Water Cooperative" (aka HAWC). This consortium, with the assistance of the KWO, combined all water marketing contracts at Hillsdale, along with the needs of its members, into one collective amount and purchased the entire allocation of the Kansas Water Marketing Program at Hillsdale Reservoir. The term of this contract, between HAWC and the KWO, is to the year 2053.

  Regarding this same source, the District then contracts with Rural Water District No. 2, Miami County, to withdraw, treat, and deliver this supply into the District's distribution system using their water treatment plant facility. Miami #2 is obligated to meet all federal and state requirements for a public drinking water supply. This source typically provides a majority of the total supply to the District. The contract term with Miami #2 is perpetual and remains in effect for as long as the water treatment plant is in operation.

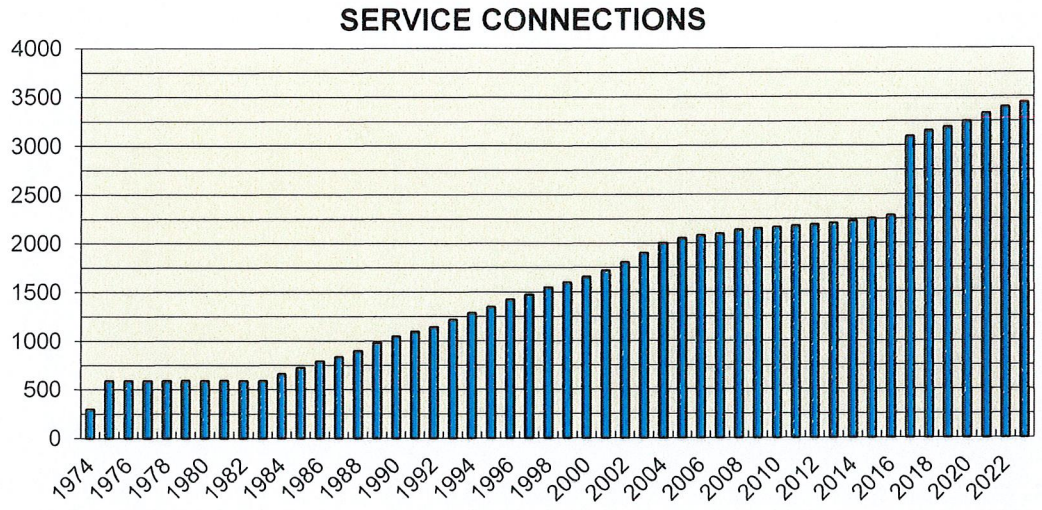
- Three other public water supply systems (City of Gardner, Johnson County Airport Commission, and Douglas County RWD #4) are contracted to supply wholesale water to isolated areas within the District. These supplies provide less than 1% of the total supply to the District.

- Emergency Interconnections have been established by the District, with municipalities and other rural water districts. These interconnections allow for the flow of a water supply during emergency situations. Emergency interconnections are with the City of Gardner, City of Edgerton, and the City of De Soto.

General Statistics for 2023:

Benefit Units (Service Connections)

The District's boundaries are located in an area within the State of Kansas that generally experiences a higher rate of growth. This can be impacted by national recessions, housing market adjustments, and lending rates to homebuyers, but overall patterns tend to be linear with a 2% +/- growth over the last several years. In fiscal year 2017 the District acquired the CRWD6 service area, which included an addition of 691 residential users. This unusual spike is indicated in the graph below. In 2023, the District sold 46 benefit units (service connections) for a year-ending total of 3439 active benefit units. Management has assumed that this trending pattern of lower benefit unit sales is largely due to the lending rates for homebuyers. (See Chart below)



Most of the District's annual growth can be attributed to residential homes; however, it has been noted that a recent surge with commercial/industrial inquiries have increased. This will be discussed later in this section.

The residential growth has continued to slow some in the last few years likely due to several factors including: borrowing rates for home buyers; increase land prices and increased construction pricing. Although there continues to be a slowdown with residential homes there are several residential developments planned within its service area adjacent to De Soto, Gardner, and Spring Hill. As interest rates drop, the housing market will likely react, and sales will increase in that regard.

Regarding the commercial/industry growth within the District, it is worth noting that some of the state's largest economic development projects have been constructed within, or adjacent to, the service area of the District. Listed are some ongoing projects that are within the District's service area:

- BNSF's rail yard is located within the City of Edgerton, Kansas, and began operations in October 2013. The area surrounding the IMF is being developed into the Logistics Park Kansas

City (LPKC). This provides warehousing and distribution centers within proximity of the IMF. Currently there are approximately 15.0 M square feet of warehouses in operation within LPKC.

- In De Soto, Kansas, the "Astra Enterprise Park" will be the home of Panasonic's $4B facility. This development is adjacent to the District's service area where another commerce park (Flint Commerce Center) is developing. The first building has been completed with additional buildings planned. It is also within this area that the same company is contemplating some multi-family type structures. The Panasonic facility is certainly generating interest in the areas around De Soto.
- In Olathe, Kansas, the "I-35 Logistics Park" is being developed. Although not initially served by the District, but within its service area, the City of Olathe, and the District, have agreed to a 10-year period that the City will provide the water services to the development since it lies within the service area of the District. This will allow the District some time to extend its services to the area. In the year 2031, the District will acquire that infrastructure to the development and commence its service.
- In New Century, Kansas, another industrial development is being constructed. The "New Century Commerce Center" consists of approximately 825 developable acres. Three buildings have been constructed with more forthcoming. Similarly, the District is working with the Johnson County Airport Commission on serving the development until some additional infrastructure can be extended by the District. The extension of infrastructure is expected to be in place in less than 10 years.

In these commercial areas, the domestic water supply needs are expected to gradually increase as construction of the developments occur. The District is working with the appropriate zoning jurisdictions, and developers, in determining the water system needs of their growth areas and enhancing its system to accommodate for the expected growth.

Water Purchases and Water Loss:

Wholesale water purchases dropped 4% in 2023 as compared to 2022; however, the number of gallons purchased increased 2.6%. This variance is predominantly due to the wholesale purchases of the District and the introduction of a new wholesale supply that is more economical. Overall, the District's wholesale supplies were maintained and proved adequate in meeting the demands of the water system and its customers. This would indicate good planning on behalf of the District and its Board of Directors. It is the general consensus that the District's piping system, infrastructure and contracted wholesale supplies met the challenges of 2023; however, the District is not "static" in its future planning. It is currently weighing its options for other wholesale supply sources, and/or increases to those sources, that will continue to provide the District a long-term source of supply for its customer base and service area. Regardless, the District's Board of Directors are active in reviewing the water supply needs of the system into the future.

Regarding Water Purchases, Sold & Loss: Public water supply systems typically record the number of gallons purchased, gallons sold, and subsequent gallons of water loss to determine the performance of the piping system. High water loss percentages indicate potential operational issues with pipes, valves, or leaks in a water system. Total water loss is isolated into two categories (Accounted and Unaccounted). Accounted water loss is water used for flushing and normal operational duties. Unaccounted water loss is water most likely attributed to leaks in the water system itself that cannot be specifically identified. Achieving an unaccounted water loss of 15% or less is the District's goal. In 2023, the District's unaccounted water loss was 16%. The District continues to actively research methods in lowering this ratio.

Financial Statistics for 2023:

Statement of Net Assets Summary (Table 1) – This table shows a summary of the Total Assets, Total Liabilities, and Net Assets of the District for FY 2023 and FY 2022. Total Assets increased 8% ($3.3M) in 2023 of which nearly $1.0M was related to new Capital Assets. This indicates the robust construction activity within the District. Long-term Debt increased ($5.4M) in 2023 due to District's new infrastructure loans secured through the SRF program which help fund water main improvements, a booster pump station and establishing a new wholesale supply for the District. These all indicate another strong performance and commitment by the Board of Directors in planning for the District's future and maintaining the integrity of the water system.

TABLE 1

Statement of Net Position Summary

	2023	2022	Difference	%
Current Assets	$ 8,932,298	$ 6,879,253	$ 2,053,045	30%
Capital Assets	$ 32,342,387	$ 31,356,220	$ 986,167	3%
Restricted Assets	$ 199,836	$ 449,696	$ (249,860)	-56%
Other Assets	$ 779,413	$ 271,535	$ 507,878	187%
Deferred Outflows	$ 199,253	$ 175,923	$ 23,330	13%
Total Assets & Deferred Outflows	**$ 42,453,187**	**$ 39,132,627**	**$ 3,320,560**	**8%**
Current Liabilities	$ 508,011	$ 4,221,022	$ (3,713,011)	-88%
Net Pension Liability	$ 607,658	$ 511,166	$ 96,492	19%
OPEB	$ 6,327	$ 5,259	$ 1,068	20%
Noncurrent Long-Term Debt	$ 8,344,114	$ 2,871,610	$ 5,472,504	191%
Deferred Inflows	$ 340,200	$ 173,922	$ 166,278	96%
Net Position	$ 32,646,877	$ 31,349,648	$ 1,297,229	4%
Total Net Position, Liabilities, & Deferred Inflows of Resources	**$ 42,453,187**	**$ 39,132,627**	**$ 3,320,560**	**8%**

Statement of Revenues, Expenses, & Changes in Net Assets Summary (Table 2) – Operating Revenues increased 8% in 2023. This is due to increased water demands and a rate increase enacted in 2023. The Operating Expenses of the District increased 7% during 2023. It is beneficial to have your operating expenses maintained at the same, or lower percentage, than revenues. In 2022, there existed a 2% gap which was attributed to several things, most notably, the cost of water from the District's wholesale suppliers. In 2023 the District was able to manage this better with the introduction of a new wholesale source. Managing water demands from higher priced wholesale sources, during demand times, with contract limitations (minimums and maximums), adds a level of diligence in the oversight of these wholesale purchases. Additional purchase volumes, an increased cost from its wholesale suppliers, as well as the aging infrastructure, may impact these values each year. Capital Contributions were over $1.0M in 2023, indicating a strong capital environment for the District. The Net Income for 2023 was over $1.0M as well. Overall, this leaves the District's Net Position, at the end of 2023 near $32.6M.

TABLE 2
STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION

	2023	2022	Difference	%
Operating Revenues	$ 3,960,408	$ 3,631,886	$ 328,522	8%
Operating Expenses	$ 3,817,823	$ 3,564,218	$ 253,605	7%
Net Operating Income	**$ 142,585**	**$ 67,668**	**$ 74,917**	**53%**
Non-Operating Revenues	$ 69,967	$ 21,607	$ 48,360	69%
Net Income before Contributions	**$ 212,552**	**$ 89,275**	**$ 123,277**	**138%**
Capital Contributions	$ 1,084,677	$ 813,606	$ 271,071	33%
Net Income	**$ 1,297,229**	**$ 902,881**	**$ 394,348**	**44%**
Beginning Net Position	$ 31,349,648	$ 30,446,767	$ 902,881	3%
Ending Net Position	**$ 32,646,877**	**$ 31,349,648**	**$ 1,297,229**	**4%**

Regarding other financial matters, it is noted that the BOD annually approves a budget for the ensuing year. Financial statements are prepared monthly for the BOD's review. Also included for their review are monthly comparisons of the previous year and "year-to-date" totals.

Debt Obligations

The District had four debt obligations at the beginning of 2023 with one of these being retired. The total debt obligations of the District are $8.4M. The outstanding loans are outlined within "Notes" section of the following audit. In regard to this, the District has retained a consultant to review its "debt capacity", if not every year, every other year, and provide a report to the BOD on its financial status with the additions of debt.

All debt obligations were met by the District for the year, whereas approximately $3M of debt was retired in 2023.

Rates & Fees – 2023

The BOD annually reviews the rate structure of the District. It has also retained the assistance of Ranson Financial to assist with this review, by virtue of a program offered by KDHE to utility customers in Kansas. Due to these reviews, the customer rates were adjusted up 3% effective with the July 1, 2023, billing cycle. Depending on the size of service, the current water rate schedule is summarized in Table 3:

TABLE 3
Water Rate Schedule

	5/8" x 3/4" Meter	3/4" Meter	1" Meter	1 1/2" Meter	2" Meter
Monthly Minimum Charge	$22.71	$22.71	$22.71	$39.41	$63.87
Per 100-gallon rate	$0.701	$0.701	$0.701	$0.701	$0.701

The BOD also generates capital for water system improvements by making available the purchase of benefit units, or right(s) to water service connections, to those desiring a public water supply.

This fee is primarily used for funding capital improvements within the District. The BOD reviews these fees during its annual review process.

Operations & Activities in 2023

The BOD discussed and approved certain system enhancements in 2023. These include the following:

- As noted earlier, a significant long-term wholesale supply was completed and put into operation in 2023. The connection with Water One of Johnson County included approximately 6 miles of water main construction and the installation of a booster pump station (BPS). Two (2) PRV stations, and a 0.5 MG elevated water storage tank are still in the design phase and will be constructed over the next year, likely to be put into operation in 2025. Portions of this project are being funded through the Kansas State Revolving Loan Fund (SRF #2947), which was identified with the acquisition of the CRWD6 water system, while other portions are funded though SRF #3039, which are projects needed for the establishment of the new wholesale supply with WaterOne.
- System Analysis Update (Master Plan) was approved for funding by the BOD in early 2022. The consulting group chosen for this work was GBA. For water systems, it is recommended that this work occurs every 3 – 5 years, depending on the physical changes within a water system. A large component of any analysis like this is to gauge what infrastructure will be needed in the future to serve the foreseen growth and expansion of the District. The analysis by the consultant is ongoing and several reports were made to the BOD, the report was finalized and accepted in September 2024.
- Various Water Main Extension and Relocation Projects were made throughout the District.
- The District continued funding the Meter Replacement Program and the GPS/GIS Mapping Program.

Conclusion

As highlighted in this report, the District continues to meet and exceed the challenges of a public water supply system in Kansas. It is anticipated that a rate increase will be once again considered by the BOD in FY 2024, due to increasing wholesale water supply costs and operational expenses. Rate increases reinforce the BOD's position that maintaining a reasonable rate structure, meeting the debt obligations, and providing adequate reserves, is a priority and responsible management of the District. It is management's opinion that the financial outlook of the District is promising. New customer growth (both residential and commercial/industry) is occurring. The District has two major highway corridors that bisect its service area: K-10 Highway and I-35 Highway. A high amount of land interest, and growth, are expected along these corridors as well as within the interior portions of the District. Interest in residential growth has certainly increased in the District's service area in and around Spring Hill, Gardner & De Soto. This is expected to remain steady, if not increase, into 2024 and beyond. The District's BOD remains committed to improving the water system to accommodate this growth.

The District continues to meet and exceed the Debt Service Coverage Ratio (DSCR) requirements of its loan covenants. Rates and fees are commensurate with its neighboring entities. The District's Water Supply Contracts will allow the probability of a quality long-term water source; however, more work on this is needed in 2024. The District takes this very serious and believes that its advancement of the System Analysis Update is an indication of this commitment. Operations of the District consistently reveal an aggressive approach to steady improvements and replacement of its older facilities and water mains, with some attaining the 50-year mark. The District has Service Area Agreements in place with all but one of its municipal neighbors. This has allowed the Board

of Directors to provide a systematic, well planned growth and expansion of services into defined areas, without risking abandonment of facilities, or costly litigation. This is all indicative of the foresight and direction provided by the BOD.

In conclusion, this report was provided to give a brief overview of the District and its activities in FY 2023. This, in addition to the 2023 audited financial statements, should provide the reader a general outline of the District and its operations.

If there are any questions regarding this information, please feel free to contact the District as provided on the front page of this report.

Respectfully submitted,



Allan Soetaert, Manager
Water District No. 7, Johnson County, Kansas

RURAL WATER DISTRICT NO. 7
JOHNSON COUNTY, KANSAS

STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 8,198,260	$ 6,169,652
Accounts receivable, net	331,372	297,964
Interest receivable	30,396	30,396
Inventories	245,813	267,674
Prepaid expenses	126,457	113,567
Total current assets	8,932,298	6,879,253
NONCURRENT ASSETS:		
Cash and cash equivalents restricted	199,836	449,696
Intangible assets, net	779,413	271,535
Capital assets:		
Land	105,972	105,972
Buildings and improvements	975,317	935,809
Water system	45,690,272	36,700,325
Operating equipment	710,937	678,576
Construction in progress	688,560	7,633,835
Accumulated depreciation	(15,828,671)	(14,698,297)
Total capital assets	32,342,387	31,356,220
Total noncurrent assets	33,321,636	32,077,451
TOTAL ASSETS	42,253,934	38,956,704
DEFERRED OUTFLOWS OF RESOURCES		
Pension	199,020	166,588
Other post employment benefits	233	9,335
TOTAL DEFERRED OUTFLOWS OF RESOURCES	199,253	175,923
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 42,453,187	$ 39,132,627
LIABILITIES		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 86,411	$ 2,997,340
Accounts payable	304,134	1,166,731
Accrued expenses	117,466	56,951
Total current liabilities	508,011	4,221,022
NONCURRENT LIABILITIES:		
Net pension liability	607,658	511,166
Other post employment benefits	6,327	5,259
Bonds and notes payable, less current maturities	8,344,114	2,871,610
Total noncurrent liabilities	8,958,099	3,388,035
TOTAL LIABILITIES	9,466,110	7,609,057
DEFERRED INFLOWS OF RESOURCES		
Pension	1,782	3,151
Other post employment benefits	8,525	273
Developer fees	329,893	170,498
TOTAL DEFERRED INFLOWS OF RESOURCES	340,200	173,922
NET POSITION		
Invested in capital assets, net of related debt	24,691,275	25,758,805
Restricted for debt service	199,836	449,696
Unrestricted	7,755,766	5,141,147
TOTAL NET POSITION	32,646,877	31,349,648
TOTAL NET POSITION, LIABILITIES, AND DEFERRED INFLOWS OF RESOURCES	$ 42,453,187	$ 39,132,627

See accompanying notes.

RURAL WATER DISTRICT NO. 7
JOHNSON COUNTY, KANSAS

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

	2023	2022
OPERATING REVENUES:		
Retail water sales	$ 3,568,468	$ 3,225,577
Wholesale water sales	335,263	344,379
Delinquency charges	44,147	44,605
Other charges	12,530	17,325
	3,960,408	3,631,886
OPERATING EXPENSES:		
Source of supply:		
Water purchases	1,402,204	1,462,972
Depreciation and amortization	1,185,260	1,034,235
Utilities	34,479	30,729
Repairs	54,039	116,967
Supplies	16,483	15,639
Meter reading	18,037	16,919
Water protection fee	18,842	21,128
Plant management fees	12,282	11,120
Salaries and wages	747,369	545,502
Vehicle	39,320	36,798
Insurance	160,613	128,559
Payroll taxes and benefits	220,994	126,943
Office	76,284	115,785
Professional fees	32,098	45,696
Engineering	45,573	28,781
Capitalized salary, payroll taxes and benefits	(342,147)	(269,516)
Miscellaneous	96,093	95,961
	3,817,823	3,564,218
Net operating income	142,585	67,668
NON-OPERATING REVENUE (EXPENSE):		
Interest income	200,605	12,024
Miscellaneous income	12,394	11,528
Fire meter rental	50,400	21,600
Gain (loss) on disposal of capital assets	(742)	4,955
Interest expense	(192,690)	(28,500)
	69,967	21,607
Net income before contributions	212,552	89,275
CAPITAL CONTRIBUTIONS	1,084,677	813,606
	1,297,229	902,881
NET POSITION:		
Beginning of year	31,349,648	30,446,767
End of year	$ 32,646,877	$ 31,349,648

See accompanying notes.

RURAL WATER DISTRICT NO. 7
JOHNSON COUNTY, KANSAS

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

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Received from customers	$ 4,093,278	$ 3,614,541
Payments to suppliers	(2,492,326)	(1,071,210)
Payments to employees	(942,584)	(668,545)
Other receipts	111,524	167,749
Net cash provided by operating activities	769,892	2,042,535
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital contributions received	580,287	607,386
Proceeds from capital debt	5,656,423	3,224,407
Proceeds from sale of capital assets	-	25,500
Acquisition and construction of assets	(2,175,657)	(4,908,580)
Principal paid on capital debt and leases	(3,094,848)	(177,689)
Interest paid on capital debt and leases	(157,954)	(30,838)
Net cash provided (used) by capital and related financing activities	808,251	(1,259,814)
CASH FLOWS FROM INVESTING ACTIVITIES, Investment income	200,605	12,024
Net cash provided by investing activities	200,605	12,024
Net increase in cash and cash equivalents	1,778,748	794,745
Cash and cash equivalents, Beginning of the year	6,619,348	5,824,603
Cash and cash equivalents, End of the year	$ 8,398,096	$ 6,619,348

See accompanying notes.

RURAL WATER DISTRICT NO. 7
JOHNSON COUNTY, KANSAS

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

	2023	2022
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 142,585	$ 67,668
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	1,185,260	1,034,235
Miscellaneous nonoperating income (expense)	62,794	33,129
Receivables, net	(33,408)	(344)
Inventories	21,861	(102,827)
Prepaid items	(12,890)	(109,692)
Notes receivable, net	-	900
Accounts payable and accrued liabilities	(836,818)	1,002,747
Net pension and OPEB	97,560	197,581
Deferred outflows, net	142,948	(80,862)
Total adjustments	627,307	1,974,867
Net cash provided by operating activities	$ 769,892	$ 2,042,535
Noncash capital financing activities:		
Assets contributed by developers & governments	$ 450,777	$ 206,218
Capital asset write-offs	2,017	100,063

See accompanying notes.

RURAL WATER DISTRICT NO. 7
JOHNSON COUNTY, KANSAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization: Rural Water District No. 7, Johnson County, Kansas (the District), is incorporated as a public corporation in accordance with Kansas statutes. The District provides water service primarily to residents of southern Johnson and northern Miami counties. The District provided service to 3,439 and 3,393 customers at December 31, 2023 and 2022, respectively. Credit is extended to these customers in the ordinary course of business.

The District is considered a governmental unit for financial reporting purposes. The District does not have any component units as defined by the criteria set forth in generally accepted accounting principles.

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. These accounts are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The District records all of its activity in one fund, the Proprietary Fund. Proprietary funds are used to account for operations that are financed and conducted in a manner similar to private business enterprises where the intent is that costs be recovered through user charges.

Accrual Accounting: The financial statements of the District are prepared using the accrual method of accounting. Accordingly, income is recorded as earned and expenses are charged as incurred, regardless of the timing of payments.

Accounts Receivable: The District uses the allowance method to compute bad debt expense. At December 31, 2023 and 2022, the District had a $5,500 and $5,500, respectively, allowance for uncollectible accounts.

Inventories: Inventories of materials and supplies are valued at the lower of cost, determined on the first-in, first-out basis, or market.

Capital Assets: Capital assets with an initial, individual cost of $500 or more and expected useful lives in excess of one year are reported at historical cost. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets except land and construction in progress is provided using the straight-line method over estimated useful lives as follows:

Rural water system	20 - 40 years
Buildings and improvements	15 - 40 years
Operating equipment	5 - 10 years

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Cash and Cash Equivalents: Refers to cash on hand, cash in demand accounts at financial institutions, and short-term, highly liquid investments that are readily convertible to known amounts of cash and so close to maturity that they present insignificant risk of change in value due to changes in interest rates.

Bond Discounts and Issuance Costs: Bond discounts and issuance costs are expensed as incurred.

Fund Equity - Government-Wide Statements: Equity is classified as net position and displayed in three components:

1. Net investment in capital assets: Consists of capital assets including restricted 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 improvements of those assets.

2. Restricted net assets: Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

3. Unrestricted net assets: All other net assets that do not meet the definition of "restricted."

It is the Board's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Statement of Cash Flows: A statement of cash flows has been presented in accordance with Governmental Accounting Standards Board Statement 9 for the Board as it operates predominantly as a proprietary fund. For purposes of the statement of cash flows, demand deposits and all highly liquid investments, are considered to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Compensated Absences: The District's policy allows full-time employees to accumulate one and a half times the amount of their annual vacation accrual. Pay cannot be received in lieu of unused vacation days. Upon resignation or termination, an employee will be compensated for any accrued but unused vacation leave. Sick leave and personal leave accrue at eight days and three days per year respectively. Unused sick leave and personal leave cannot be carried over to the next year and is not paid upon resignation or termination.

Operating Revenues and Expenses: Operating revenues and expenses for the proprietary fund result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing or investing activities.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Kansas Public Employees Retirement System (KPERS) and additions to/deductions from KPERS fiduciary net position have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of net position will sometimes report a separate element for the 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 and will not be recognized as an expense until then. The District has two items that which qualify for reporting in this category, deferrals of pension expense that result from the implementation of GASB Statement 68 and the deferrals of OPEB.

In addition to liabilities, the statement of net position will sometimes report a separate element 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 and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items which qualify for reporting in this category. Accordingly, deferrals of income related to pension net position acquisition, OPEB dealing with the reported differences between expected and actual experience and developer advances are reported in this category on the statement of net position. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Operating Revenues and Expenses: Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods and/or services in connection with proprietary funds principal ongoing operations. The principal operating revenue of the District's water proprietary fund is charges to customers for sales and services. Operating expenses are those that are incurred to provide those goods or services. Operating expenses include the costs of sales and services, administrative expense and depreciation on capital assets. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

Revenue Recognition: Customer meters are read and bills are rendered on a cycle basis. Revenues are recorded when earned in accordance with the customary practices of the industry.

Income Tax Status: The District is a political corporation of the state of Kansas and, as such, is exempt from paying income tax.

2. DEPOSITS:

At December 31, 2023 and 2022, cash balances were comprised of demand deposits and certificates of deposit. As required by law, the depository banks are to pledge securities in addition to Federal Deposit Insurance Corporation (FDIC) insurance or obtain surety bonds to equal the amount on deposit at all times.

3. RESTRICTED CASH:

Restricted cash at December 31 consisted of the following:

	2023	2022
Bond Principal and Interest	$ 199,836	$ 199,696
Bond Reserve	-	250,000
	$ 199,836	$ 449,696

NOTES TO FINANCIAL STATEMENTS

4. CAPITAL ASSETS:

A summary of changes in capital assets for 2023 follows:

	Beginning Balance 1/1/2022	Additions	Retirements	Ending Balance 12/31/2023
Capital assets not being depreciated:				
Land and improvements	$ 105,972	$ -	$ -	$ 105,972
Construction in progress	7,633,835	1,590,578	8,535,853	688,560
Total capital assets not being depreciated	7,739,807	1,590,578	8,535,853	794,532
Capital assets being depreciated:				
Buildings	156,205	-	-	156,205
Improvements	779,604	40,445	937	819,112
Operating equipment	678,576	32,361	-	710,937
Water system	36,700,325	8,991,027	1,080	45,690,272
Total capital assets being depreciated	38,314,710	9,063,833	2,017	47,376,526
Less accumulated depreciation:				
Buildings	127,326	4,113	-	131,439
Improvements	349,562	29,403	937	378,028
Operating equipment	470,908	74,687	-	545,595
Water system	13,750,501	1,023,446	338	14,773,609
Total accumulated depreciation	14,698,297	1,131,649	1,275	15,828,671
Total capital assets being depreciated, net	23,616,413	7,932,184	742	31,547,855
Capital assets, net	$ 31,356,220	$ 9,522,762	$ 8,536,595	$ 32,342,387

NOTES TO FINANCIAL STATEMENTS

5. LONG-TERM DEBT:

Long-term debt at December 31, consisted of the following:

	2023	2022
Kansas Rural Water Finance Authority, Revenue Refunding Bonds, Series D 2012 interest at 2% to 2.75%, due in semi-annual installments varying from year to year until maturity on February 1, 2024	$ -	$ 170,000
Central Bank of the Midwest, loan, interest of 2.65%, due in monthly installments of $5,970.24 until maturity on January 23, 2025	46,675	116,049
Kansas State Revolving Loan Fund (SRF) projects 2947 & 3039 not yet complete, payment schedule has not been finalized	5,467,359	5,582,901
2023 USDA Rural Development loan, interest at 3%, due in monthly installments of $10,558 until maturity of February 2063	2,916,491	-
	8,430,525	5,868,950
Less: current maturities	86,411	2,997,340
	$ 8,344,114	$ 2,871,610

Changes in long-term debt of the District for the year ended December 31, 2023, consisted of the following:

	Balance December 31, 2022	Additions	Retirements	Balance December 31, 2023	Amounts Due within One Year
Revenue Bonds	$ 170,000	$ -	$ 170,000	$ -	$ -
Note Payable	116,049	-	69,374	46,675	46,675
Kansas SRF	5,582,901	2,707,423	2,822,965	5,467,359	
USDA RD Loan	-	2,949,000	32,509	2,916,491	39,736
	$ 5,868,950	$ 5,656,423	$ 3,094,848	$ 8,430,525	$ 86,411

5. LONG-TERM DEBT (Continued):

Aggregate annual principal and interest payments applicable to long-term debt are:

Years Ending December 31,	Principal	Interest	Note Payable
2024	$ 46,675	$ 469	$ 47,144

Years Ending December 31,	Principal	Interest	USDA RD Loan
2024	$ 39,736	$ 86,960	$ 126,696
2025	40,945	85,752	126,697
2026	42,190	84,506	126,696
2027	43,473	83,223	126,696
2028	44,795	81,901	126,696
2029 - 2033	245,262	388,218	633,480
2034 - 2038	284,902	348,578	633,480
2039 - 2043	330,946	302,534	633,480
2044 - 2048	384,431	249,049	633,480
2049 - 2053	446,561	186,919	633,480
2054 - 2058	518,735	114,745	633,480
2059 - 2063	494,515	32,132	526,647
	$2,916,491	$2,044,517	$ 4,961,008

At December 31, 2023, the District had watermain projects financed by Kansas SRLF in the construction phase. These uncompleted projects do not have payment schedules and are not shown in the above table.

6. CAPACITY AGREEMENTS:

In 1987, the District entered into a water supply agreement with Rural Water District No. 2, Miami County, Kansas, to purchase water from the Hillsdale Lake Water Treatment Facility. In addition to the variable and fixed operating costs of the water, the District is also required to pay 20% of the debt retirement funds required for initial construction of the facility and 10% of the expansion project. The contract, amended in 1998, is valid as long as the Hillsdale Lake Water Treatment Facility is in operation. The agreement was paid off as scheduled in 2008. The District uses the same method of amortization as it uses for depreciation of fixed assets; straight-line amortization over the 40 year term.

In 2021 The District entered into a water supply agreement with Water District No. 1 of Johnson County, Kansas (WaterOne), to purchase water from WaterOne. In addition to the variable and fixed operating costs of the water, the District paid upfront non-refundable fees for the right to connect to WaterOne in the amount of $561,489, this included capacity development and infrastructure. The agreement will last for 20 years through 2043 and has additional renewal options. The agreement is being amortized over 20 years.

In 2013, The District entered into a water supply agreement with the City of Olathe, to purchase water from the City. The contract expires on December 31, 2031.

The District also has two minor agreements (Gardner & Johnson County Airport Commission) to provide water to specific customers within the district's boundaries.

7. RETIREMENT PLAN:

General Information about the Pension Plan

Plan description: The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org, by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions: K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009 and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members.

7. RETIREMENT PLAN (CONTINUED):

Contributions: (Continued)

Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate and the statutory contribution rate was 8.43% for the fiscal year ended December 31, 2023. Contributions to the pension plan from the District were $54,469 and $45,916 for the years ended December 31, 2023 and 2022, respectively.

Net Pension Liability: At December 31, 2023, the District's proportionate share of the collective net pension liability reported by KPERS was $607,658. The net pension liability was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022, which was rolled forward to June 30, 2023. The District's proportion of the net pension liability was based on the ratio of the District's contribution to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS.

Actuarial assumptions: The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary Increase	3.5% to 11.5%, including inflation
Investment rate of return	7.00% compounded annually, net of investment expense and including price inflation

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.

7. RETIREMENT PLAN (CONTINUED):

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equities	23.5%	5.20%
Non-US Equities	23.5%	6.40%
Fixed Income	11%	1.55%
Yield Driven	8%	4.70%
Real Return	11%	3.25%
Real Estate	11%	4.45%
Alternatives	8%	9.50%
Short-term Investments	4%	0.25%

Discount rate: The discount rate used to measure the total pension liability is 7.00%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate: The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.00%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

	1% Decrease 6.00%	Current Single Discount Rate Assumption 7.00%	1% Increase 8.00%
Net Pension Liability (NPL)	$ 871,317	$ 607,658	$ 388,003

7. RETIREMENT PLAN (CONTINUED):

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2023, the employer recognized pension expense of $64,529. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	$ 50,514	$ (86)
Difference in earnings	35,491	-
Change in proportion	48,612	(1,696)
Differences in assumptions	64,403	-
Total	$ 199,020	$ (1,782)

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

Year Ending	Net Deferred Inflows of Resources
2024	$ 66,424
2025	41,192
2026	69,636
2027	19,444
2028	542
Thereafter	-
	$ 197,238

Payable to the Pension Plan

At December 31, 2023, the District reported a payable of $0 for the outstanding amount of contributions to the pension plan.

The complete actuarial valuation report including all actuarial assumptions and methods and the report on the allocation of the KPERS collective net pension liability to all participating employers is publicly available on the website at www.kpers.org.

8. SUMMARY OF INSURANCE COVERAGE:

The following is a schedule of the District's insurance coverage at December 31, 2023:

Insurer/Type of Coverage	Policy Period	Coverage	Premium
Employers Mutual			
Real and personal property	2/1/23-2/1/24	$ 5,418,319	$ 16,042
General liability	2/1/23-2/1/24	$ 1,000,000	$ 5,919
$1,000,000 per occurrence			
$2,000,000 aggregate			
Equipment	2/1/23-2/1/24	$ 192,446	$ 1,179
Employee dishonesty	2/1/23-2/1/24	$ 250,000	$ 204
Employers Mutual			
Business automobile liability	2/1/23-2/1/24	$ 1,000,000	$ 10,751
Directors and officers liability	2/1/23-2/1/24	$ 1,000,000	$ 5,291
EMCASCO Insurance Co.			
Workers' compensation	2/1/23-2/1/24		$ 5,515
Bodily injury by accident-ea. accident		$ 500,000	
Bodily injury by disease-ea.		$ 500,000	
Bodily injury by disease-policy limit		$ 500,000	
Employers Mutual			
Umbrella policy	2/1/23-2/1/24	$ 1,000,000	$ 5,324
Cyber solutions	2/1/23-2/1/24	$ -	$ 327

9. RISK MANAGEMENT:

The Water District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Water District joined together with other entities in the State to participate in Employers Mutual Insurance Corp. (EMC), a public entity risk pool currently operating as a common risk management and insurance program for the participating members.

The Water District pays an annual premium to EMC for its insurance coverage. The agreement to participate provides that EMC will be self-sustaining through member premiums. Additional premiums may be due if total claims for the pool are different than what has been anticipated by EMC management.

NOTES TO FINANCIAL STATEMENTS

10. TAX-EXEMPT STATUS:

The District's management believes it has operated as a tax-exempt municipal corporation within the meaning of all applicable federal and state laws. Therefore, no provision has been made in the financial statements for income taxes.

11. COMPLIANCE WITH KANSAS STATUTES and CONTINGENCIES:

The District's bank balances are not fully secured, management is aware of no other statutory violations for the period covered by the audit.

The District participates in federal and state programs that are fully or partially funded by grants/loans received from other governmental units. Expenditures financed are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with program regulations, the District may be required to reimburse the grantor government. As of December 31, 2023, significant amounts of expenditures have not been audited by grantor governments.

12. CONTRIBUTED CAPITAL:

A summary of contributed capital from inception is as follows:

	2023	2022
GOVERNMENT CONTRIBUTIONS:		
Balance, Beginning of year	$ 7,853,455	$ 7,853,455
Construction contributions	-	-
Balance, End of year	7,853,455	7,853,455
MEMBER CONTRIBUTIONS:		
Balance, Beginning of year	11,749,711	11,174,497
Benefit units sold	570,382	575,214
Balance, End of year	12,320,093	11,749,711
DEVELOPER CONTRIBUTIONS:		
Balance, Beginning of year	10,281,559	10,043,167
Contributions for capital improvements	514,295	238,392
Balance, End of year	10,795,854	10,281,559
Total contributed capital	$ 30,969,402	$ 29,884,725

NOTES TO FINANCIAL STATEMENTS

13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS:

Plan Description: The District participates in the Kansas Public Employees (KPERS) Death and Disability Plan, a multiple-employer defined benefit plan. This plan provides long term disability (LTD) and life insurance benefits to eligible employees. Eligible employees consist of all individuals who are currently active members of KPERS. For GASB 75 purposes, the District is considered to be participating in a single employer long-term disability plan.

Benefits Provided: Retirees and their dependents have the same benefits as active employees. Retiree coverage terminates either when the retiree becomes covered under another employer health plan or when the retiree reaches Medicare eligibility age which is currently age 65. Spousal coverage is available until the retiree becomes covered under another employer health plan, attains Medicare eligibility age or dies.

Funding Policy: GASB Statement 75 does not require funding of the OPEB liability and the District has chosen not to fund it. District policy dictates the payment of retiree claims as they become due. For 2023, retiree premiums are the same as employees.

Net OPEB Liability: The District's net OPEB liability was measured as of June 30, 2023 and the total OPEB liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022.

Actuarial Assumptions: The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods including in the measurement:

Salary increases including inflation	3.5%
Inflation	2.75%
Discount rate	3.65%
Actuarial cost method	Entry Age Normal
Mortality rates	90% of RP-2014 M +2
	90% of RP-2014 F +1

14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued):

Changes in the Net OPEB Liability:

Balance as of June 30, 2022	$	5,259
Changes for the year:		
Service cost		1,279
Interest on total OPEB liability		231
Effect of plan changes		-
Effect of economic/demographic gain or losses		(413)
Effect of assumption changes or inputs*		(29)
Benefits payments		-
Balance as of June 30, 2023	$	6,327

* Discount rate change from 3.54% to 3.65%

Discount Rate Sensitivity Analysis: The following presents the total OPEB liability of the employer as of June 30, 2023, calculated using the discount rate of 3.35%, as well as what the employer's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.65%) or one percentage point higher (4.65%) than the current rate.

	1% Decrease 2.65%	Discount rate 3.65%	1% Increase 4.65%
Total OPEB liability	$ 6,594	$ 6,327	$ 6,049

The following presents the total OPEB liability of the employer as of June 30, 2023, calculated using the current healthcare cost trend rates as well as what the employer's total OPEB liability would be if it were calculated using trend rates that are one percentage point lower or one percentage point higher than the current trend rates. Healthcare trend rates do not affect the liabilities related to the long-term disability benefits.

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	$ 6,327	$ 6,327	$ 6,327

14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued):

OPEB liabilities and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs: For the year ended June 30, 2023, the plan reported a liability of $6,327. The plan reported deferred outflows and inflow of resources related to OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (7,346)
Changes in assumptions	233	(1,179)
Total	$ 233	$ (8,525)

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

Fiscal Year Ending	Net Deferred Outflows of Resources
2024	$ (1,212)
2025	(1,212)
2026	(1,209)
2027	(1,177)
2028	(1,088)
Thereafter*	(2,394)
	$ (8,292)

*Note that additional future deferred inflows and outflows of resources may impact these numbers

15. CONSTRUCTION COMMITMENTS:

At December 31, 2023, the District has construction commitments of $3,996,500.

16. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through August 09, 2024, which is the date the financial statements were evaluated to be issued.

RURAL WATER DISTRICT NO. 7 JOHNSON COUNTY, KANSAS
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employer's Proportionate Share of the Net Pension Liability and Related Ratios
Last 9 Fiscal Years

Fiscal year ending June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of the Net Pension Liability	0.00290%	0.02571%	0.02592%	0.02488%	0.02322%	0.02238%	0.01990%	0.02057%	0.01861%
Proportionate share of the Net Pension Liability	$ 607,658	$ 511,166	$ 310,993	$ 431,368	$ 324,498	$ 311,986	$ 288,315	$ 318,239	$ 244,397
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	70.70%	69.75%	76.40%	66.30%	69.88%	68.88%	67.12%	65.10%	64.95%
Covered Employee Payroll	$ 722,898	$ 527,545	$ 502,790	$ 489,584	$ 441,214	$ 432,634	$ 326,369	$ 341,449	$ 346,362
Proportionate share of the Net Pension Liability as a percentage of covered employee payroll	84.06%	96.90%	61.85%	88.11%	73.55%	72.11%	88.34%	93.20%	70.56%

Notes to schedule:
Only nine years are being shown, as other years become available they will be included until 10 years of data is shown.

RURAL WATER DISTRICT NO. 7 JOHNSON COUNTY, KANSAS
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS
Last 9 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 54,469	$ 45,916	$ 43,667	$ 41,112	$ 37,094	$ 33,753	$ 31,135	$ 32,906	$ 28,464
Contributions in relation to the actuarially determined contribution	54,469	45,916	43,667	41,112	37,094	33,753	31,135	32,906	28,464
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 722,898	$ 527,545	$ 502,790	$ 489,584	$ 441,214	$ 432,634	$ 326,369	$ 341,449	$ 346,362
Contributions as a percentage of covered-employee payroll	7.53%	8.70%	8.68%	8.40%	8.41%	7.80%	9.54%	9.64%	8.22%
Valuation date	12/31/2022								

Notes to schedule:

Only nine years are being shown, as other years become available they will be included until 10 years of data is shown.
The roll-forward of total pension liability from December 31, 2022 to June 30, 2023 reflects expected service cost and interest reduced by actual benefit payments.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Price inflation	2.75%
Salary increase	3%, including price inflation
Investment rate of return	7.00% compounded annually, net of investment expense, and including price inflation
Mortality	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 memberships groups. Future mortality improvements are anticipated using scale MP-2016.

RURAL WATER DISTRICT NO. 7
JOHNSON COUNTY, KANSAS

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in OPEB Liability and Related Ratios
Last seven fiscal year

	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability							
Service Cost	$ 1,279	$ 2,375	$ 2,212	$ 1,670	$ 1,500	$ 1,496	$ 1,500
Interest	231	221	221	322	336	276	205
Benefit Changes	-	-	-	-	-	-	-
Difference between expected and actual experience	(413)	(3,788)	(2,365)	(2,097)	(1,542)	(735)	(100)
Assumption Changes	(29)	(1,400)	5	344	49	(46)	-
Benefit Payments	-	-	-	-	-	-	-
Net Change in Total OPEB Liability	1,068	(2,592)	73	239	343	991	1,605
Total OPEB Liability, beginning	5,259	7,851	7,778	7,539	7,196	6,205	4,600
Total OPEB Liability, ending	$ 6,327	$ 5,259	$ 7,851	$ 7,778	$ 7,539	$ 7,196	$ 6,205
Covered Employee Payroll	$ 722,898	$ 527,545	$ 479,000	$ 437,000	$ 411,000	$ 391,221	$ 324,000
Total OPEB Liability as a percentage of covered employee payroll	0.88%	1.00%	1.64%	1.78%	1.83%	1.84%	1.92%

Notes to schedule:
Only seven years are being shown, as other years become available they will be included until 10 years of data is shown.

Changes is assumption: In 2023, discount rate changed from 3.54% to 3.65%