

Acord Cox & Scott, LLC
Certified Public Accountants

**RURAL WATER DISTRICT NO. 9
LEAVENWORTH COUNTY, KANSAS**

**Financial Statements for the
Years Ended December 31, 2021 and 2020
and Independent Auditors' Report**

**RURAL WATER DISTRICT NO. 9
LEAVENWORTH COUNTY, KANSAS**

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Members
Rural Water District No. 9
Leavenworth County, Kansas

We have audited the accompanying statements of net position of Rural Water District No. 9, Leavenworth County, Kansas (the "District"), as of December 31, 2021 and 2020, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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.

March 14, 2022

Acord Cox + Scott, LLC

**RURAL WATER DISTRICT NO. 9
LEAVENWORTH COUNTY, KANSAS**

Management's Discussion and Analysis

This section of the Rural Water District No. 9, Leavenworth County, Kansas annual financial report presents an analysis of the District's financial performance during the years ended December 31, 2021 and 2020. This information is prepared and presented in conjunction with the annual audited financial reports prepared by the District's independent auditing firm.

Rural Water District No. 9 Financial Overview for 2021

- The District's total assets increased by \$371,797 from \$2,560,168 in 2020 to \$2,931,965 in 2021.
- The District's total liabilities increased by \$214,684 from \$175,475 in 2020 to \$390,159 in 2021.
- The District's operating revenues increased by \$68,343 from \$563,155 in 2020 to \$631,498 in 2021.
- The District's costs and operating expenses decreased by \$83,892 from \$666,951 in 2020 to \$583,059 in 2021.

Overview of the Financial Statements

This report will include Management's Discussion and Analysis, Financial Statements for the years ended December 31, 2021 and 2020, 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 types and amounts of investments (assets) secured and the obligations to the District's creditors (liabilities). The Statements of Activities and Changes in Net Position exhibit the District's revenues and expenses for the years ended December 31, 2021 and 2020. The Statements of Cash Flows present information on the District's cash receipts, cash payments and changes in cash flow resulting from operations, investments and financing activities.

Financial Analysis of the District

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

Net Position

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

Table 1
Condensed Statements of Net Position

	2021	2020	Dollar Change	Percent Change
Current and Other Assets	569,966	535,019	34,947	6.5%
Capital assets	2,324,228	1,982,130	342,098	17.3%
Deferred Outflows of Resources	37,771	43,019	(5,248)	-12.2%
Total Assets and Deferred Outflows	2,931,965	2,560,168	371,797	14.5%
Current Liabilities	35,383	42,678	(7,295)	-17.1%
Noncurrent Liabilities	326,507	130,903	195,604	149.4%
Deferred Inflows of Resources	28,269	1,894	26,375	1392.6%
Total Liabilities and Deferred Inflows	390,159	175,475	214,684	122.3%
Total Net Position	2,541,806	2,384,693	157,113	6.6%

Total assets increased by \$371,797 from \$2,560,168 in 2020 to \$2,931,965 in 2021. This is attributed to net income in the current year. Capital assets are a net result of all fixed assets, including 2021 additions, less accumulated depreciation.

Total liabilities increased by \$214,684 from \$175,475 in 2020 to \$390,159 in 2021. This is a result of an increase in long-term debt and accounts payable.

Total net position increased by \$157,113 from \$2,384,693 in 2020 to \$2,541,806 in 2021.

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

	2021	2020	Dollar Change	Percent Change
Operating Revenues	631,498	563,155	68,343	12.1%
Operating Expenses	(583,059)	(666,951)	83,892	-12.6%
Net Operating Income (Loss)	48,439	(103,796)	152,235	-146.7%
Net Nonoperating Revenues	6,674	13,322	(6,648)	-49.9%
Income (loss) Before Capital Contributions	55,113	(90,474)	145,587	-160.9%
Benefit Units	102,000	135,400	(33,400)	-24.7%
Change in Net Position	157,113	44,926	112,187	249.7%
Beginning Net Position	2,384,693	2,339,767	44,926	1.9%
Ending Net Position	2,541,806	2,384,693	157,113	6.6%

The Statements of Revenues, Expenses, and Changes in Net Position represent revenue and expense items that affect the change in net position. As the information presented in Table 2 shows, the income before capital contributions was \$55,113. Combined with capital contributions of \$102,000, the District reported an increase in net position of \$157,113 for the year ended December 31, 2021.

The District's total operating revenues increased by \$68,343 from \$563,155 in 2020 to \$631,498 in 2021. Total operating expenses decreased by \$83,892 from \$666,951 in 2020 to \$583,059 in 2021. The major contributor to the increase in revenue was related to an increase in aid in construction.

Additional Financial Information

This financial report is designed to provide the District's patrons, investors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact Rural Water District No. 9, Leavenworth County, KS Business Manager at P.O. Box 295, Tonganoxie, KS 66086.

**RURAL WATER DISTRICT NO. 9
LEAVENWORTH COUNTY, KANSAS**

**STATEMENTS OF NET POSITION
DECEMBER 31, 2021 AND 2020**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2021	2020
CURRENT ASSETS		
Cash	\$ 518,449	\$ 474,408
Accounts receivable	41,697	51,788
Prepaid expenses	9,820	8,823
Total current assets	<u>569,966</u>	<u>535,019</u>
NONCURRENT ASSETS		
CAPITAL ASSETS		
Distribution system	2,422,122	2,263,316
Water tower	987,718	987,718
Buildings	394,738	379,166
Land	314,926	90,420
Equipment	251,888	251,455
Construction in process	83,447	-
Accumulated depreciation	<u>(2,130,611)</u>	<u>(1,989,945)</u>
Total noncurrent assets	<u>2,324,228</u>	<u>1,982,130</u>
Total assets	2,894,194	2,517,149
DEFERRED OUTFLOWS OF RESOURCES	<u>37,771</u>	<u>43,019</u>
Total assets and deferred outflows of resources	<u>\$ 2,931,965</u>	<u>\$ 2,560,168</u>
 LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 9,278	\$ 28,145
Accounts payable	21,530	8,065
Payroll liabilities	<u>4,575</u>	<u>6,468</u>
Total current liabilities	35,383	42,678
 LONG-TERM DEBT, less current portion	 249,218	 26,676
NET PENSION LIABILITY	<u>77,289</u>	<u>104,227</u>
Total liabilities	361,890	173,581
DEFERRED INFLOWS OF RESOURCES	<u>28,269</u>	<u>1,894</u>
Total liabilities and deferred inflows of resources	<u>390,159</u>	<u>175,475</u>
 NET POSITION		
Invested in capital assets, net of related debt	2,065,732	1,927,309
Unrestricted	<u>476,074</u>	<u>457,384</u>
Total net position	<u>\$ 2,541,806</u>	<u>\$ 2,384,693</u>

**RURAL WATER DISTRICT NO. 9
LEAVENWORTH COUNTY, KANSAS**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2021 AND 2020**

OPERATING REVENUES	2021	2020
Water sales	\$ 521,733	\$ 497,355
Aid in construction	109,765	65,800
Total operating revenues	<u>631,498</u>	<u>563,155</u>
 OPERATING EXPENSES		
Cost of water	76,185	63,868
Payroll and payroll taxes	143,479	127,380
Employee insurance and KPERS	29,402	25,432
Contract labor	20,363	50,131
Utilities	27,309	27,604
Office expenses	17,003	17,783
Repairs and maintenance	66,294	139,887
Machine hire	21,376	45,724
Professional fees	14,307	9,877
Rent	-	11,345
Insurance	20,962	20,835
Mileage	1,079	2,269
Sales tax and water fees	3,806	5,907
Locates	828	806
Depreciation and amortization	140,666	118,103
Total operating expenses	<u>583,059</u>	<u>666,951</u>
NET OPERATING INCOME (LOSS)	<u>48,439</u>	<u>(103,796)</u>
 NON-OPERATING REVENUES (EXPENSES)		
Interest income	2,429	2,994
Miscellaneous	2,281	6,659
Rental income	7,118	6,367
Interest expense	<u>(5,154)</u>	<u>(2,698)</u>
Net non-operating revenues	<u>6,674</u>	<u>13,322</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	55,113	(90,474)
BENEFIT UNITS	<u>102,000</u>	<u>135,400</u>
CHANGE IN NET POSITION	157,113	44,926
NET POSITION, BEGINNING OF YEAR	<u>2,384,693</u>	<u>2,339,767</u>
NET POSITION, END OF YEAR	<u>\$ 2,541,806</u>	<u>\$ 2,384,693</u>

**RURAL WATER DISTRICT NO. 9
LEAVENWORTH COUNTY, KANSAS**

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 641,589	\$ 581,328
Cash payments to suppliers for goods and services	(257,044)	(394,192)
Cash paid to employees	(170,089)	(138,319)
Net cash provided by operating activities	<u>214,456</u>	<u>48,817</u>
CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from sale of benefit units and aid in construction	102,000	135,400
Purchase of capital assets	(482,764)	(345,130)
Principal paid on note obligation	203,675	(27,003)
Interest paid	(5,154)	(2,698)
Miscellaneous	2,281	6,659
Net cash used in capital and related financing activities	<u>(179,962)</u>	<u>(232,772)</u>
INVESTING ACTIVITIES:		
Rent received	7,118	6,367
Interest received	2,429	2,994
Net cash provided by investing activities	<u>9,547</u>	<u>9,361</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	44,041	(174,594)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	474,408	649,002
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u>518,449</u>	\$ <u>474,408</u>
Reconciliation of operating income to net cash provided by operating activities:		
Net operating income (loss)	\$ 48,439	\$ (103,796)
Adjustments to reconcile net operating income (loss) to cash used by operating activities		
Depreciation and amortization	140,666	118,103
Changes in:		
Accounts receivable	10,091	18,173
Prepaid expenses	(997)	(2,382)
Accounts payable	13,465	4,226
Payroll liabilities	(1,893)	2,510
Net pension liability	4,685	11,983
Net cash provided by operating activities	<u>\$ 214,456</u>	<u>\$ 48,817</u>

LEAVENWORTH COUNTY RURAL WATER DISTRICT NO. 9

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

1. DESCRIPTION OF ENTITY

- a. Organization and Description of Operations - Leavenworth County Rural Water District No. 9 (District), Tonganoxie, Kansas, is organized under Kansas law and is accounted for as an enterprise fund using the accrual basis of accounting. The District's purpose and objective is to acquire water and water rights, to build and acquire pipelines and for the purpose of furnishing water for domestic, agriculture, and/or other purposes. The District provides services to patrons in Leavenworth County, Kansas.

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 Statement 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.

- b. Cash Equivalents - For the purposes of the statement of cash flows the District defines cash as demand deposits and certificates of deposit at banks with maturities of three months or less.
- c. Accounts Receivable - Accounts receivable are amounts due from customers. All water meters are master-read by the District's operator prior to the end of the fiscal year. The adjustments are reflected in the year end balances. There is no allowance for doubtful accounts used because the District deems all accounts receivable collectible.
- d. Capital Assets - Property, plant and equipment are recorded at cost less accumulated depreciation. Improvements and betterments to existing property and equipment are capitalized. Expenditures for maintenance and repair which do not extend the life of the applicable assets are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period. The District does not have a formal capitalization policy. Depreciation expense for the years ended December 31, 2021 and 2020 totaled \$140,666 and \$118,103, respectively. The estimates useful lives of the types of assets is as follows:

Water distribution system 10-40 years
Buildings, wells, standpipes 20-40 years
Office equipment 3-10 years
Vehicles 5 years

- e. Use of Estimates - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.
- f. Compensated Absences - Employees are allocated paid time off for vacation depending on their years of service. On October 31st of each year, the District will buy back unused leave at 90% cash value of employee's hourly wage as long as the employee carries over four weeks of PTO into the next year. Employees also receive two sick days. Employees can carry over up to six sickdays, but they are not paid out at termination.
- g. Net Position - Net position is the difference between assets and liabilities. The District's net position is classified as follows:

Invested in capital assets, net of related debt: This represents the District's total investment in capital assets, net of related debt obligations related to those capital assets.

Restricted net position –expendable: Restricted expendable net position includes resources that have legal limitations that are imposed on their use by legislation or external restrictions by creditors or grantors to indicate that their use is limited as stipulated by contract.

Unrestricted net position: Unrestricted net position represents resources that does not meet the definition of "restricted" or "invested in capital assets, net of related debt". These resources are used for transactions relating to the operations of the District and may be used at the discretion of the governing body to meet current expenses for any lawful purpose.

- h. Budget - The District is not subject to the legal annual operating budget requirements, but is controlled by the use of an internal budget established by the governing body. As the District is not subject to these requirements, a comparison of actual to budget is not presented in the financial statements.
- i. Operating Revenues - The District's rates are established by the Board of Directors. The District sells water to members at established rates.
- j. Benefit Units - The District receives applications for new service from individuals and businesses in Leavenworth County. During the monthly board meetings these applications are reviewed and voted on. If an application is approved, the individual or business pays a \$6,000 membership fee and pays for construction costs related to the installation of the new service. These fees are non-reimbursable.
- k. Aid in Construction - Aid in construction represents contributions from the members to pay for construction of water main extensions. These are valued at acquisition value at the time of contribution. Substantially, all construction contributions executed provide for no refunds.
- l. Income Taxes – The District is considered a tax-exempt entity and is not subject to income taxes at either the federal or state level.
- m. Debt Issue Costs – Costs related to the issuance of debt are expensed as incurred.
- n. Subsequent Events - Management has evaluated subsequent events through the date of the Independent Auditors' Report, the date which the financial statements were available for issue and has concluded that there are no subsequent events that materially impact the financial statements.

3. CASH AND INVESTMENTS

Deposits – At December 31, 2021 and 2020, the District’s deposits were covered by federal depository insurance or by collateral held by the District’s agent in the District’s name.

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

4. CAPITAL ASSETS

The following is a summary of changes in the various capital asset categories for the years ended December 31, 2021 and 2020:

	2020	Additions	Disposals & Transfers	2021
Construction in progress	-	83,447	-	83,447
Land	61,092	224,506	-	285,598
Water Distribution System	3,407,588	158,806	-	3,566,394
Buildings, Wells, Standpipes	379,166	15,572	-	394,738
Lagoons	38,620	-	-	38,620
Land Improvements	29,328	-	-	29,328
Office Equipment	14,939	433	-	15,372
Vehicles	41,342	-	-	41,342
	<u>3,972,075</u>	<u>482,764</u>	<u>-</u>	<u>4,454,839</u>
Less: Accumulated Depreciation	<u>(1,989,945)</u>	<u>(140,666)</u>	<u>-</u>	<u>(2,130,611)</u>
Total Capital Assets, Net	<u>1,982,130</u>	<u>342,098</u>	<u>-</u>	<u>2,324,228</u>

	2019	Additions	Disposals & Transfers	2020
Land	61,092	-	-	61,092
Water Distribution System	3,169,809	237,779	-	3,407,588
Buildings, Wells, Standpipes	271,815	107,351	-	379,166
Lagoons	38,620	-	-	38,620
Land Improvements	29,328	-	-	29,328
Office Equipment	14,939	-	-	14,939
Vehicles	41,342	-	-	41,342
	<u>3,626,945</u>	<u>345,130</u>	<u>-</u>	<u>3,972,075</u>
Less: Accumulated Depreciation	<u>(1,871,842)</u>	<u>(118,103)</u>	<u>-</u>	<u>(1,989,945)</u>
Total Capital Assets, Net	<u>1,755,103</u>	<u>227,027</u>	<u>-</u>	<u>1,982,130</u>

5. LONG-TERM DEBT

In October 2021, the District entered into a financing agreement with Community National Bank for a loan in the amount of \$260,000. The loan matures in October 2031 and bears interest at the rate of 3.50%. Monthly payments of \$1,515 began November 19, 2021. The proceeds of the loan were used to purchase land and refinance existing debt.

On October 20, 2016, the District entered into a financing agreement with the Bank of McLouth for a loan in the amount of \$181,150. The loan matures on November 5, 2022 and bears interest at the rate of 4%. Monthly payments of \$2,485 began December 5, 2016. The loan was paid in full in 2021 upon issuance of the Community National Bank loan referred to above.

Long-term debt activity for the years ended December 31, 2021 and 2020 were as follows:

	2020	Additions	Retirements	2021	Current Portion	Interest Paid
Long-term debt	\$ 54,821	260,000	56,325	\$ 258,496	9,278	5,154

	2019	Additions	Retirements	2020	Current Portion	Interest Paid
Long-term debt	\$ 81,824	-	27,003	\$ 54,821	28,145	2,698

Scheduled maturities of long-term debt and interest through maturity are as follows:

	Principal	Interest	Total
2022	\$ 9,278	\$ 8,899	\$ 18,177
2023	9,608	8,569	18,177
2024	9,926	8,251	18,177
2025	10,302	7,875	18,177
2026	10,669	7,508	18,177
Thereafter	208,713	31,158	239,871
	\$ 258,496	\$ 72,260	\$ 330,756

6. DEFERRED BENEFIT PENSION PLAN

Description of Pension Plan

The District participates in the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan (Pension Plan), as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERs issues a stand-alone comprehensive annual financial report that includes financial statements and required supplementary information, and is available on the KPERs website at www.kpers.org. Substantially all public employees in Kansas are covered by the Pension Plan. Participation by local political subdivisions is optional, but irrevocable once elected. Those employees participating in the Pension Plan for the District are included in the local employee group.

Benefits

Benefits are established by statute and may only be changed by the Legislature. Members with ten or more years of credited service, may retire as early as age 55, with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years' of credited service, or whenever a member's combined age and years of credited service equal 85 "points".

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Members choose one of seven payment options for their monthly retirement benefits. At retirement a member may receive a lump sum payment of up to 50% of the actuarial present value of the member's lifetime benefit. The monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas. For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

The 2012 Legislature made changes affecting new hires, current members and employers. A new cash balance retirement plan (KPERs 3) was created for new hires starting after January 1, 2015. Normal retirement age for KPERs 3 is 65 with 5 years of service or 60 with 30 years of service. Early retirement is available at age 55 with 10 years of service with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

Contributions

Member contribution rates are established by state law, and are paid by the employee according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined based on the results of an annual actuarial valuation. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. All of the retirement systems are funded on an actuarial reserve basis.

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERs employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.2% of total payroll for the fiscal year ended June 30, 2021.

For the years ended December 31, 2021 and 2020, the actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory employer capped contribution rate for local employees are 8.87% and 8.61%, respectively. The member contribution rate as a percentage of eligible compensation for the fiscal years ended June 30, 2021 and 2020 was 6.00% for local employees.

Contributions to the pension plan for the District were \$10,852 and \$9,934 for the years ended December 31, 2021 and 2020, respectively.

Employer Allocations

Although KPERs administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of

resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan:

- State/School
- Local
- Police and Firemen
- Judges

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer. The allocation percentages for the District’s share of the collective pension amounts as of June 30, 2021 and 2020 are based on the ratio of its contributions to the total of the employer and nonemployer contributions of the group for the fiscal years ended June 30, 2021 and 2020.

The contributions used exclude contributions made for prior service, excess benefits and irregular payments.

Net Pension Liability

Net pension liability activity for the years ended December 31 was as follows:

	<u>2021</u>	<u>2020</u>
Net Pension Liability	\$ 77,289	\$ 104,227
Measurement Date	June 30, 2021	June 30, 2020
Valuation Date	December 31, 2020	December 31, 2019
District’s Proportion	0.0064%	0.0060%
Change in Proportion	0.0004%	0.0002%

Actuarial Assumptions

The actuarial valuation used the following actuarial assumptions applied to all periods included in the measurement:

Actuarial Cost Method	Entry age normal
Price inflation	2.75%
Salary increase	3.5 to 11.75 percent, including price inflation
Long-term rate of return, net of investment expense, and including price inflation	7.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study, dated January 7, 2020, as provided by KPERS’ investment consultant, are summarized in the following table:

Asset Class	Long-Term Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equities	23.50%	5.20%
Non-U.S. Equities	23.50	6.40
Private Equity	8.00	9.50
Private Real Estate	11.00	4.45
Yield Driven	8.00	4.70
Real Return	11.00	3.25
Fixed Income	11.00	1.55
Short-term investments	4.00	0.25
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability for the years ended December 31, 2021 and 2020 was 7.25% and 7.5%, respectively. The local groups do not necessarily contribute the full actuarial determined rate. Based on legislation first passed in 1993 and subsequent legislation, the employer contribution rates certified by the Board may not increase by more than the statutory cap. The statutory cap was 1.2%.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

For the years ended December 31, 2021 and 2020, the following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Discount rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
December 31, 2021	127,133	77,289	35,489
December 31, 2020	146,689	104,227	68,528

Pension Expense

For the years ended December 31, 2021 and 2020, the recognized pension expense of \$25,531 and \$22,941, respectively, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period.

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2021 and 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021		2020	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between actual and expected experience	\$ 3,051	\$ 700	\$ 1,740	\$ 1,340
Net differences between projected and actual earnings on investments	-	27,445	12,161	-
Changes of assumptions	15,214	-	6,278	-
Changes in proportion	19,506	124	22,840	554
	<u>\$ 37,771</u>	<u>\$ 28,269</u>	<u>\$ 43,019</u>	<u>\$ 1,894</u>

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

Year Ended December 31	
2022	\$ 8,146
2023	5,432
2024	356
2025	(5,187)
2026	755
	<u>\$ 9,502</u>

7. LITIGATION

The District is party to various legal proceedings which normally occur in governmental operations. These proceedings are not likely to have a material financial impact on the affected fund of the District.

8. RISK MANAGEMENT

The 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 District carries commercial insurance for risks of loss, including property, general liability, equipment floater, automobile, crime, workers compensation and linebacker. Settled claims have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage from prior years.

9. MAJOR SUPPLIER

In 2014, the District entered into a 20-year contract with Suburban Water, Inc. to purchase water. The contract requires the District to purchase an annual minimum amount of 12,000,000 gallons. For the year ended December 31, 2021 and 2020, the District purchased a total of 22,183,000 and 17,968,000 gallons, respectively.

**RURAL WATER DISTRICT NO. 9
LEAVENWORTH COUNTY, KANSAS**

**REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

Schedule of the District's Proportionate share of the Net Pension Liability
Kansas Public Employees Retirement System (KPERs)*

Fiscal Year-End	2021	2020	2019	2018	2017	2016	2015
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
The District's proportion of the collective net pension liability	0.0060%	0.0060%	0.0058%	0.0043%	0.0028%	0.0030%	0.0031%
The District's proportionate share of the net pension liability	\$ 77,289	104,227	\$ 81,396	\$ 59,863	\$ 41,716	\$ 46,318	\$ 40,599
The District's covered-employee payroll	\$ 120,038	115,631	\$ 107,715	\$ 76,974	\$ 51,100	\$ 50,705	\$ 51,729
The District's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	64.39%	90.14%	75.57%	77.77%	81.64%	91.35%	78.48%
Plan fiduciary net position as a percentage of the total pension liability	68.04%	66.30%	69.88%	68.88%	67.12%	65.10%	64.95%

Note: Information on this schedule is measured as of the measurement date.

Share of the District's Contributions
Kansas Public Employees Retirement System (KPERs)*

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 10,852	9,934	\$ 9,304	\$ 6,476	\$ 4,505	\$ 4,789	\$ 4,729
Contributions in relation to the contractually required contribution	10,852	9,934	9,304	6,476	4,505	4,789	4,729
Contribution deficiency (excess)	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -
The District's covered-employee payroll	\$ 120,038	115,631	\$ 107,715	\$ 76,974	\$ 51,100	\$ 50,705	\$ 51,729
Contributions as a percentage of covered-employee payroll	9.040%	8.591%	8.638%	8.413%	8.816%	9.445%	9.142%

*GASB 68 requires presentation of ten years. As of December 31, 2021, only seven years of information is available.

Changes in actuarial assumptions include:

Investment return assumption was lowered from 7.75% to 7.25%