
**WATER DISTRICT NO. 1 OF
JOHNSON COUNTY, KANSAS
FINANCIAL STATEMENTS**

DECEMBER 31, 2022

Contents

	Page
Independent Auditors' Report	1 - 3
Management's Discussion And Analysis - Required Supplementary Information	4 - 12
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement Of Net Position.....	13 - 14
Statement Of Revenues, Expenses, And Changes In Net Position.....	15
Statement Of Cash Flows	16 - 17
Statement Of Fiduciary Net Position – Pension Trust Fund	18
Statement Of Changes In Fiduciary Net Position - Pension Trust Fund.....	19
Notes To Financial Statements	20 - 51
Supplementary Information	
Required Supplementary Information:	
Schedules Of Selected Pension Information	52 - 53
Schedule Of Changes In The Total Other Postemployment Liability And Related Ratios	54
Additional Supplementary Information (Unaudited):	
Insurance Coverage	55 - 59
Fidelity Bonds In Force	60
Operating Data	61 - 62

Independent Auditors' Report

Water District Board
Water District No. 1 of Johnson County, Kansas
Lenexa, Kansas

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Water District No. 1 of Johnson County, Kansas, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise Water District No. 1 of Johnson County, Kansas' 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 and the aggregate remaining fund information of Water District No. 1 of Johnson County, Kansas, as of December 31, 2022 and 2021, 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 Water District No. 1 of Johnson County, Kansas 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

Water District No. 1 of Johnson County, Kansas' 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 Water District No. 1 of Johnson County, Kansas' 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.

Auditors' Responsibilities For The Audit Of The Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 Water District No. 1 of Johnson County, Kansas' 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 Water District No. 1 of Johnson County, Kansas' 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 on pages 4 through 12, the schedule of changes in OPEB liability and related ratios on page 54 and the schedules of selected pension information of the employee retirement plan on pages 52 and 53 to 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the additional supplementary information on pages 55 through 62 but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

RubinBrown LLP

March 3, 2023

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2022

This section of Water District No. 1 of Johnson County, Kansas' (WaterOne's) annual financial report presents an analysis of WaterOne's financial performance during the fiscal years ended December 31, 2022 and 2021. This information is presented in conjunction with the audited financial statements which follow this section.

Financial Highlights

Operating revenues in 2022 were \$137.35 million. Operating revenues in 2021 were \$121.63 million.

Operating expenses in 2022 were \$66.39 million, excluding depreciation. Operating expenses in 2021 were \$58.71 million, excluding depreciation.

During 2022 and 2021, WaterOne received \$25.13 million and \$20.13 million, respectively, in capital contributions.

Investment income before unrealized gains and losses for 2022 was approximately \$1.34 million compared to \$540,000 in 2021. The 2022 average funds invested of \$143.01 million was more than the 2021 balance of \$130.77 million and the 2022 rate of return of 0.99 percent was more than the 2021 rate of 0.41 percent.

WaterOne's capital assets were \$1,195 million in 2022 compared to \$1,170 million in 2021.

The debt service coverage ratio for Debt Service (excluding System Development Charges) was 3.38 for 2022, compared to 2.99 for 2021.

Overview Of The Financial Statements

The annual Financial Report is presented in the following sections: The Independent Auditor's Report, Management's Discussion and Analysis, Financial Statements with Notes, Required Supplementary Information and Supplementary Information.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Management's Discussion and Analysis (*Continued*)

Required Financial Statements

The financial statements of WaterOne utilize the full accrual basis of accounting. The financial statements conform to accounting principles that are generally accepted in the United States of America. The Statement of Net Position includes information on WaterOne's assets, deferred outflows, liabilities, and deferred inflows and provides information about the nature and amounts of investments in resources (assets) and the obligations to WaterOne's creditors (liabilities). The Statement of Revenues, Expenses, and Changes in Net Position identifies WaterOne's revenues, expenses, and capital contributions for the years ended 2022 and 2021. The other required financial statement is the Statement of Cash Flows. From the Statement of Cash Flows, the reader can obtain comparative information on the sources and uses of cash and the change in the cash balance for each of the last two fiscal years. This statement provides information on WaterOne's cash receipts, cash payments and changes in cash resulting from operations, investments, and financing activities.

Financial Analysis Of WaterOne

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position provide an indication of WaterOne's financial condition and indicate if the financial condition has improved over the previous year. WaterOne's total net position increased \$58.34 million (5.46 percent) in 2022 and \$47.23 million (4.63 percent) in 2021.

Table 1
Net Position
(Dollars in thousands)

	December 31,		Variance		December 31,		Variance	
	2022	2021	Dollars Increase (Decrease)	Percentage	2020	Dollars Increase (Decrease)	Percentage	
Capital assets	\$ 1,195,018	\$ 1,170,113	\$ 24,905	2.13%	\$ 1,145,344	\$ 24,769	2.16%	
Total special funds	39,008	38,885	123	0.32%	38,829	56	0.14%	
Total current assets	151,307	134,549	16,758	12.45%	126,471	8,078	6.39%	
Deferred outflows of resources	19,053	20,553	(1,500)	(7.30)%	15,469	5,084	32.87%	
Total Assets And Deferred Outflows	\$ 1,404,386	\$ 1,364,100	\$ 40,286	2.95%	\$ 1,326,113	\$ 37,987	2.86%	
Long-term liabilities and other liabilities	\$ 227,258	\$ 251,268	\$ (24,010)	(9.56)%	\$ 260,497	\$ (9,229)	(3.54)%	
Current liabilities	40,711	35,220	5,491	15.59%	36,295	(1,075)	(2.96)%	
Deferred inflows of resources	9,798	9,332	466	4.99%	8,271	1,061	12.83%	
Total Liabilities And Deferred Inflows Of Resources	277,767	295,820	(18,053)	(6.10)%	305,063	(9,243)	(3.03)%	
Net investment in capital assets	988,365	947,847	40,518	4.27%	909,200	38,647	4.25%	
Restricted	32,446	32,322	124	0.38%	32,378	(56)	(0.17)%	
Unrestricted	105,808	88,111	17,697	20.08%	79,472	8,639	10.87%	
Total Net Position	1,126,619	1,068,280	58,339	5.46%	1,021,050	47,230	4.63%	
Total Liabilities, Deferred Inflows Of Resources, And Net Position	\$ 1,404,386	\$ 1,364,100	\$ 40,286	2.95%	\$ 1,326,113	\$ 37,987	2.86%	

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Management's Discussion and Analysis (*Continued*)

Table 2
Statement Of Revenues, Expenses, And Changes In Net Position
(Dollars in thousands)

	December 31,		Variance		December 31,		Variance	
	2022	2021	Dollars Increase (Decrease)	Percentage	2020	Dollars Increase (Decrease)	Percentage	
Operating revenues	\$ 137,345	\$ 121,635	\$ 15,710	12.92%	\$ 116,054	\$ 5,581	4.81%	
Operating expenses	<u>66,385</u>	<u>58,711</u>	<u>7,674</u>	<u>13.07%</u>	<u>57,933</u>	<u>778</u>	<u>1.34%</u>	
Net Operating Income (Before Depreciation)	70,960	62,924	8,036	12.77%	58,121	4,803	8.26%	
Depreciation	<u>29,703</u>	27,958	<u>1,745</u>	<u>6.24%</u>	<u>26,583</u>	<u>1,375</u>	<u>5.17%</u>	
Net Operating Income	41,257	34,966	6,291	17.99%	31,538	3,428	10.87%	
Total other income	978	1,027	(49)	(4.77)%	3,071	(2,044)	(66.56)%	
Total other expenses	<u>9,021</u>	8,898	<u>123</u>	<u>1.38%</u>	<u>10,424</u>	<u>(1,526)</u>	<u>(14.64)%</u>	
Net Income Before Capital Contributions	33,214	27,095	6,119	22.58%	24,185	2,910	12.03%	
Capital contributions	<u>25,125</u>	20,134	<u>4,991</u>	<u>24.79%</u>	<u>15,047</u>	<u>5,087</u>	<u>33.81%</u>	
Change In Net Position	58,339	47,229	11,110	23.52%	39,232	7,997	20.38%	
Beginning Net Position	1,068,279	1,021,050	47,229	4.63%	981,818	39,232	4.00%	
Ending Net Position	\$ 1,126,618	\$ 1,068,279	\$ 58,339	5.46%	\$ 1,021,050	\$ 47,229	4.63%	
Total Revenues	\$ 163,448	\$ 142,796			\$ 134,172			
Total Expenses	\$ 105,109	\$ 95,567			\$ 94,940			

The largest source of WaterOne's operating revenue is water sales. Additional sources of operating revenue include income received from late payment fees, administrative service charges, and miscellaneous income. WaterOne's other income is derived from interest income earned on WaterOne investments and gains and losses from investments.

Operating expenses are the expenses necessary to keep the water system in good repair and working order and include (but are not limited to) salaries, benefits, costs of materials, supplies, insurance, power and chemicals, and depreciation. Other expenses primarily include the payment of interest on WaterOne's outstanding Bonds.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Management's Discussion and Analysis (*Continued*)

Variances in water sales revenues from year to year are generally the product of three major factors: water rate changes, changes in customer consumption patterns due to weather influences, and changes in the number of customers.

1. **Water Rate Changes** - Effective January 1, 2022, WaterOne's retail water rates increased 3.6 percent. Effective January 1, 2021, WaterOne's retail water rates increased 2.8 percent.
2. **Changes In Customer Consumption Due To Weather Influences** - 2022 water sales were \$135.68 million. Sales in 2022 were \$11.85 million more than projected and \$15.33 million more than those in 2021. 2021 water sales were \$120.35 million. Sales in 2021 were \$1.07 million more than projected and \$5.50 million more than those in 2020. Approximately 64.59 percent of the water sales revenue was from sales to single-family residences. The remaining 35.41 percent represent sales to multifamily and commercial customers.

Gallons sold in 2022 were 20.66 billion which was 1.47 billion more than gallons sold in 2021 and 1.13 billion more than projected. Gallons sold in 2021 were 19.19 billion which was 0.42 billion more than gallons sold in 2020 and 0.31 billion less than projected.

3. **Changes In The Number Of Customers** - Excluding temporary fire hydrant meters and wholesale customers, 1,493 new retail customers were added in 2022, which were 8 (0.01 percent) less than the 1,501 new customers added in 2021. The new 2021 customers were 233 (18.38 percent) more than the 1,268 new customers added in 2020.

Investment income (before unrealized gain/loss on investments) increased from approximately \$540,000 in 2021 to \$1.34 million in 2022. Investment income (before unrealized gain/loss on investments) decreased from \$2.02 million in 2020 to approximately \$540,000 in 2021.

	2022	2021	2020
Average funds invested	143.01 Million	\$ 130.77 Million	\$ 132.64 Million
Average rate of return	0.99%	0.41%	1.52%

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Management's Discussion and Analysis (*Continued*)

As reflected on the Statement of Revenues, Expenses, and Changes in Net Position, the operating expenses for WaterOne are divided into the following five functional categories: Water Source, Treatment, and Pumping; Transmission and Distribution; Customer Service; Administrative and General; and Depreciation.

1. **Total Operating Expenses** (before depreciation) were \$7.67 million (13.07 percent) more in 2022 than in 2021. The increase in operating expenses during 2022 was primarily due to increased gallons produced due to dry weather and supply chain issues driving price increases.
 - **Water Source, Treatment, And Pumping** expenses were \$5.29 million (18.2 percent) higher in 2022 than in 2021, primarily due to:
 - Power expenses in 2022 were \$2.34 million higher than in 2021. Increased water production requires more power utilization. Also, a new max hour was reached in 2022 which increased the peaking rates at some facilities.
 - Chemical expenses in 2022 were \$1.40 million higher than in 2021. Increased water production requires more chemical utilization. Also, increased chemical pricing impacted chemical expenses.
 - Maintenance and Other Treatment and Pumping expenses were approximately \$781,000 higher in 2022 than in 2021. Increased water production caused additional maintenance expenses as more material and supplies and maintenance services were required.
 - **Transmission And Distribution** expenses were \$1.42 million (13.03 percent) higher in 2022 than in 2021. Due to the dry weather, there were a significant number of main breaks in 2022 which increased overtime, material and supplies, and contracted services.
 - **Administrative And General** expenses were approximately \$727,000 (5.50 percent) higher in 2022 than in 2021. Higher fuel rates and supply chain issues were experienced in 2022. Due to continued supply chain issues, material pricing increased and supplemental items were acquired to ensure necessities were available.
 - **Customer Service** expenses were approximately \$230,000 (4.2 percent) higher in 2022 than in 2021.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Management's Discussion and Analysis (*Continued*)

2. **Total Operating Expenses** (before depreciation) were \$778,000 (1.34 percent) more in 2021 than in 2020. The increase in operating expenses during 2021 was primarily the result of higher net labor costs and unusually high natural gas prices during February 2021.

- **Water Source, Treatment, And Pumping** expenses were \$513,000 million (1.80 percent) higher in 2021 than in 2020, primarily due to:
 - Approximately \$240,000 higher than normal natural gas costs incurred in February 2021. During 2021, a February winter storm and cold spell caused an emergency operations period which resulted in the market price of natural gas to significantly increase for a few days.
 - An increase in net labor costs.
- **Transmission And Distribution** expenses were \$3,000 (0.03 percent) higher in 2021 than in 2020.
- **Customer Service** expenses were \$210,000 (3.98 percent) higher in 2021 than in 2020.
- **Administrative And General** expenses were \$52,000 (0.40 percent) higher in 2021 than in 2020.

Capital Contributions

Capital contributions are recognized as "Contributions" on the Statements of Revenues, Expenses, and Changes in Net Position. Capital contributions for the years 2022, 2021 and 2020 consisted of the following:

Table 3
Capital Contributions
(Dollars in thousands)

	December 31,		Variance		December 31,		Variance	
	2022	2021	Dollars Increase (Decrease)	Percentage	2020	Dollars Increase (Decrease)	Percentage	
Main extensions	\$ 14,025	\$ 8,725	\$ 5,300	60.74%	\$ 5,497	\$ 3,228	58.72%	
System development								
charges	9,272	9,704	(432)	(4.45)%	8,272	1,432	17.31%	
Benefit areas	88	185	(97)	(52.43)%	52	133	255.77%	
New services	1,525	1,520	5	0.33%	1,226	294	23.98%	
Grant funds	215	-	215	n/a	-	-	n/a	
Total Capital Contributions	\$ 25,125	\$ 20,134	\$ 4,991	24.79%	\$ 15,047	\$ 5,087	33.81%	

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Management's Discussion and Analysis (*Continued*)

Capital Assets

As of December 31, 2022, WaterOne's investment in net capital assets totaled \$1.20 billion which is an increase of \$24.90 million (2.13 percent) over the 2021 balance. Net capital assets in 2021 totaled \$1.17 billion, which was an increase of \$24.77 million (2.16 percent) over the 2020 balance of \$1.14 billion. WaterOne's major capital assets includes land, infrastructure assets, water treatment facilities, water mains, services, hydrants, pump stations, reservoirs, administrative/service center facilities, fleet, and other general assets. A comparison of WaterOne's capital assets over the past three years is presented in Table 4 below.

Table 4
Capital Assets
(Dollars in thousands)

	December 31,		Variance		December 31, 2020	Variance	
	2022	2021	Dollars Increase (Decrease)	Percentage		Dollars Increase (Decrease)	Percentage
Land	\$ 31,986	\$ 31,669	\$ 317	1.00%	\$ 31,719	\$ (50)	(0.16)%
Intake, purification and pumping system	476,952	468,890	8,062	1.72%	455,906	12,984	2.85%
Transmission and distribution system	980,651	949,824	30,827	3.25%	904,092	45,732	5.06%
Buildings, improvements, furniture and equipment	54,980	50,753	4,227	8.33%	59,487	(8,734)	(14.68)%
Construction work in progress	135,250	127,250	8,000	6.29%	135,084	(7,834)	(5.80)%
Capital Assets Before Depreciation	\$ 1,679,819	\$ 1,628,386	\$ 51,433	3.16%	\$ 1,586,288	\$ 42,098	2.65%
Less: Accumulated depreciation	\$ (484,802)	\$ (458,273)	\$ (26,529)	5.79%	\$ (440,944)	\$ (17,329)	3.93%
Net Capital Assets	\$ 1,195,017	\$ 1,170,113	\$ 24,904	2.13%	\$ 1,145,344	\$ 24,769	2.16%

Additions to WaterOne's capital assets reflect a capital plan to replace and maintain existing facilities and equipment, adopt more efficient technologies, ensure compliance with applicable water quality rules and regulations and provide for the expansion of supply, treatment and distribution facilities per WaterOne's long-term capital expansion program.

Long-Term Debt

WaterOne finances its capital assets through a combination of water rates, investment income, system development charges and revenue bonds. As indicated in the Notes to Financial Statements, WaterOne's General Fund makes a monthly prorated deposit to the Principal and Interest Fund to fund the semi-annual principal and interest payments on the outstanding debt.

In 2022, the Second Lien bonds were rated Aaa by Moody's and AAA by Standard and Poor's.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Management's Discussion and Analysis (*Continued*)

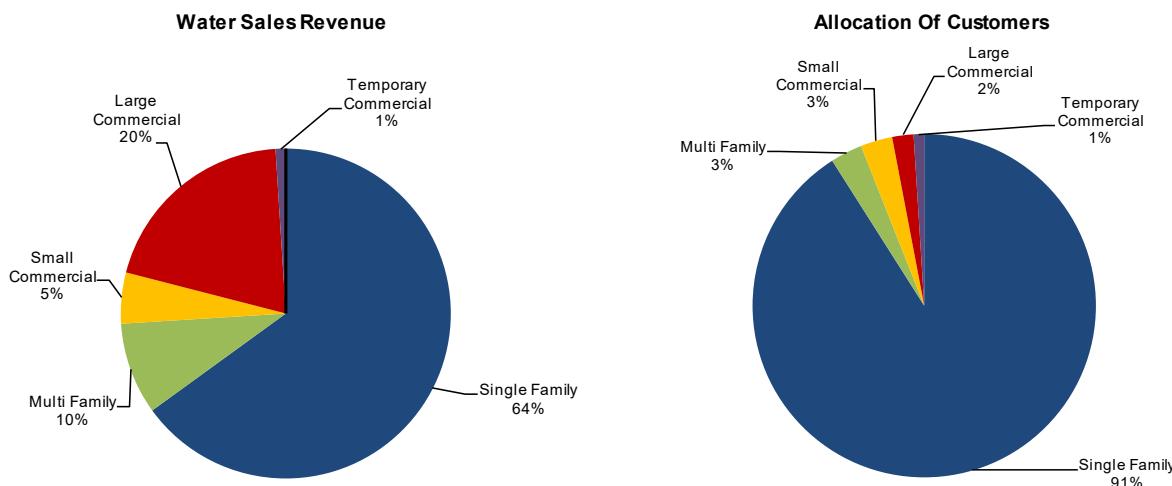
At the end of 2022, WaterOne had \$207.03 million of outstanding bonds, compared to \$222.59 million at the end of 2021. The decrease was the result of principal payments of \$15.56 million.

At the end of 2021, WaterOne had \$222.59 million of outstanding bonds, compared to \$237.40 million at the end of 2020. The decrease was the result of principal payments of \$14.81 million.

As discussed in Note 4 of the Notes to Financial Statements, the current debt service schedule extends to 2042 and includes bonds with interest rates ranging from 2.00 percent to 5.00 percent. Bond covenants require that WaterOne maintain a debt service coverage ratio on its Water Revenue bonds of 1.25; however, current Board policy stipulates that the budgeted debt service coverage ratio be maintained at a minimum of 2.00 (before inclusion of System Development Charges). For 2022, the actual debt service coverage ratio for WaterOne's bonds (excluding System Development Charges) was 3.38 which was higher than the comparable ratio of 2.99 for 2021 and higher than the 2020 ratio of 2.87.

Economic Factors And Next Year's Projections And Rates

WaterOne's service territory includes approximately 272 square miles, located primarily in Johnson County, Kansas. In addition, WaterOne has the exclusive right to provide potable water to all or a portion of 17 municipalities as well as unincorporated areas. As of December 31, 2022, WaterOne served 153,404 customers compared to 151,910 customers served as of December 31, 2021 and 150,404 served as of December 31, 2020. As of December 31, 2022, 90.94 percent of the customers served were single-family residential homes.



WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Management's Discussion and Analysis (*Continued*)

64.59 percent of annual water sales were to single family residential homes, and the remaining 35.41 percent was scattered among many relatively small commercial users. For the year ended December 31, 2022, WaterOne's top 15 commercial customers contributed only 3.54 percent of total 2022 annual water sales revenue.

WaterOne budgets revenues and expenses based on anticipated water consumption for a "normal" weather year. Revenues for a given budget year need to be sufficient to provide funds for operation and maintenance expenses, debt service funding and annual capital expenditures. In addition, revenues for a given year may be budgeted to provide funds for contributions to the Master Plan capital program, the Transmission & Distribution capital program and/or the Negative Cash Flow Reserve. Finally, Board Policy #16 stipulates that rates must be at such a level that budgeted net operating income (before depreciation) combined with budgeted investment income must be at least two times the combined annual debt service for all of WaterOne's Revenue bonds.

WaterOne Contact Information

This financial report is designed to provide customers and creditors with a general overview of WaterOne's finances and to demonstrate accountability for the funds it receives. Anyone having questions regarding this report or desiring additional information may contact:

Darin Kamradt, Director of Finance
Water District No. 1 of Johnson County, Kansas
10747 Renner Boulevard
Lenexa, Kansas 66219
Telephone: 913-895-5537
E-mail: dkamradt@waterone.org

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

STATEMENT OF NET POSITION

Page 1 Of 2

	December 31,	
	2022	2021
Assets And Deferred Outflows Of Resources		
Current Assets		
Cash, cash equivalents and short-term investments:		
Water system general fund	\$ 126,401,475	\$ 113,956,223
System development account	123,608	63,448
Accounts receivable and accrued water sales	11,312,565	9,983,744
Interest receivable	716,014	171,418
Materials and supplies	8,357,341	6,203,841
Contractor extension receivables	2,290,233	2,721,407
Prepayments and deposits	2,105,542	1,449,127
Total Current Assets	151,306,778	134,549,208
Noncurrent Assets		
Capital Assets, Net Of Accumulated Depreciation		
Nondepreciable capital assets:		
Land	31,986,350	31,669,435
Construction in progress	135,249,594	127,249,604
Total nondepreciable capital assets	167,235,944	158,919,039
Depreciable capital assets:		
Intake, purification, and pumping system	259,225,479	262,220,437
Transmission and distribution system	742,825,757	726,086,659
Building, improvements, furniture, and equipment	25,730,623	22,886,481
Total depreciable capital assets, net of accumulated depreciation	1,027,781,859	1,011,193,577
Net Capital Assets	1,195,017,803	1,170,112,616
Restricted Cash And Investments		
Special funds created by bond resolutions:		
Principal and interest	169,581	817,727
Second lien bond reserve fund	17,879,347	17,879,346
Water system general fund	20,959,578	20,187,728
Total Special Funds Created By Bond Resolutions	39,008,506	38,884,801
Total Noncurrent Assets	1,234,026,309	1,208,997,417
Total Assets	1,385,333,087	1,343,546,625
Deferred Outflows Of Resources		
Pensions	10,990,541	11,553,536
Other post employment benefits	4,049,161	4,616,316
Deferred amounts on refunding	4,013,261	4,383,391
Total Assets And Deferred Outflows Of Resources	\$ 1,404,386,050	\$ 1,364,099,868

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

STATEMENT OF NET POSITION

Page 2 Of 2

	December 31,	
	2022	2021
Liabilities, Deferred Inflows of Resources And Net Position		
Current Liabilities		
Accounts payable	\$ 8,507,745	\$ 9,259,310
Customer advances for system development charges	4,297,925	3,641,500
Retainage on construction contracts	893,951	1,419,465
Current maturities of revenue bonds payable	20,705,000	15,560,000
Compensated employee absences	2,112,781	2,175,702
Other current liabilities	4,194,041	3,463,490
Total Current Liabilities	40,711,443	35,519,467
Noncurrent And Other Liabilities		
Revenue bonds payable	186,325,000	207,030,000
Premium on revenue bonds payable	8,423,485	9,241,793
Customer advances for construction	6,753,105	7,531,608
Net pension liability	3,634,576	5,878,362
Other post-employment	22,121,512	21,286,796
Total Noncurrent And Other Liabilities	227,257,678	250,968,559
Total Liabilities	267,969,121	286,488,026
Deferred Inflows Of Resources		
Pensions	8,216,256	7,332,427
Other post employment benefits	1,581,466	1,999,596
Total Liabilities And Deferred Inflows Of Resources	277,766,843	295,820,049
Net Position		
Net investment in capital assets	988,365,335	947,846,657
Restricted by bond resolution	32,446,078	32,322,373
Unrestricted	105,807,794	88,110,789
Total Net Position	1,126,619,207	1,068,279,819
Total Liabilities, Deferred Inflows Of Resources And Net Position	\$ 1,404,386,050	\$ 1,364,099,868

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	For The Years Ended December 31,	
	2022	2021
Operating Revenues		
Water sales	\$ 135,681,456	\$ 120,854,614
Other operating revenues	1,663,667	1,280,163
Total Operating Revenues	137,345,123	121,634,777
Operating Expense		
Water source, treatment and pumping	34,386,706	29,092,422
Transmission and distribution	12,332,314	10,910,191
Customer service	5,714,524	5,483,931
Administrative and general	13,951,838	13,224,782
Depreciation of utility plant	29,703,192	27,957,819
Total Operating Expense	96,088,574	86,669,145
Operating Income	41,256,549	34,965,632
Nonoperating Revenues (Expense)		
Investment income	(1,210,372)	(155,214)
Miscellaneous, net	160,636	208,457
Bond interest expense	(5,811,000)	(6,464,881)
Amortization expense - refunded bonds	(370,129)	(370,129)
Amortization of premiums	817,577	818,307
Loss on disposal of capital assets	(1,629,110)	(1,906,840)
Net Nonoperating Expense	(8,042,398)	(7,870,300)
Income Before Capital Contributions	33,214,151	27,095,332
Capital Contributions	25,125,237	20,134,222
Change In Net Position	58,339,388	47,229,554
Beginning Net Position	1,068,279,819	1,021,050,265
Net Position - End Of Year	\$ 1,126,619,207	\$ 1,068,279,819

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

STATEMENT OF CASH FLOWS

Page 1 Of 2

	For The Years Ended December 31,	
	2022	2021
Cash Flows From Operating Activities		
Receipts from customers	\$ 136,566,086	\$ 122,044,717
Payments to suppliers	(43,082,898)	(37,250,306)
Payments to employees	(24,932,146)	(22,683,993)
Net Cash Provided By Operating Activities	68,551,042	62,110,418
Cash Flows Provided By Noncapital Financing Activities, Miscellaneous	160,638	208,457
Cash Flows From Capital And Related Financing Activities		
Proceeds from sale of capital assets	285,946	1,029,710
System development charges	9,928,800	9,785,050
Acquisition and construction of capital assets	(43,170,610)	(45,616,304)
Principal payments on revenue bonds	(15,560,000)	(14,810,000)
Interest payments on revenue bonds	(5,811,000)	(6,553,566)
Other debt costs	(733)	(2,500)
Net Cash Used In Capital And Related Financing Activities	(54,327,597)	(56,167,610)
Cash Flows From Investing Activities		
Purchase of short-term investments	(95,890,470)	(77,319,074)
Interest received on investments	795,365	765,071
Maturities of short-term investments	82,689,000	70,379,531
Net Cash Used In Investing Activities	(12,406,105)	(6,174,472)
Net Increase (Decrease) In Cash	1,977,978	(23,207)
Cash - Beginning Of Year	12,114,951	12,138,158
Cash - End Of Year	\$ 14,092,929	\$ 12,114,951
Investments	\$ 151,440,660	\$ 140,789,521
Cash	14,092,929	12,114,951
Total Cash And Investments	\$ 165,533,589	\$ 152,904,472
Principal and interest fund - restricted	\$ 169,581	\$ 817,727
Water system general fund	126,401,475	113,956,223
Water system general fund - restricted	20,959,578	20,187,728
Cash bond reserve fund - restricted	17,879,347	17,879,346
System development account	123,608	63,448
	\$ 165,533,589	\$ 152,904,472

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

STATEMENT OF CASH FLOWS

Page 2 Of 2

	For The Years Ended December 31,	
	2022	2021
Net Cash From Operating Activities		
Reconciliation of operating income to net cash from operating activities:		
Operating income	\$ 41,256,549	\$ 34,965,632
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	29,703,192	27,957,819
Changes in assets and liabilities:		
Receivables and accrued water sales	(779,037)	409,940
Materials and supplies	(2,151,015)	(1,067,563)
Prepayments, deposits, net position and OPEB liability	(404,610)	290,650
Other assets	(176,794)	(11,052)
Accounts payable	497,593	(745,825)
Other liabilities and compensation	605,164	310,817
Net Cash Provided By Operating Activities	\$ 68,551,042	\$ 62,110,418
Noncash capital and related financing activities:		
Property contributed to WaterOne	\$ 15,852,862	\$ 10,430,122
Capital assets related to retainage payable	(525,514)	(205,831)
Capital assets related to accounts payable	(1,249,158)	(1,174,153)
Noncash retirement of capital assets	1,915,056	2,936,550
Noncash investing activities:		
Appreciation of fair value	2,550,332	695,024

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

STATEMENT OF FIDUCIARY NET POSITION Pension Trust Fund

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Assets		
Cash	\$ 53,547	\$ 24,776
Mutual Funds	43,962,772	70,669,331
Due from brokers	389,844	360,072
Total Assets	44,406,162	71,054,179
Liabilities		
Due to brokers	443,390	384,848
Total Liabilities	443,390	384,848
Net Position Restricted For Pensions	\$ 43,962,772	\$ 70,669,331

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION Pension Trust Fund

	For The Years Ended December 31,	
	2022	2021
Additions		
Contributions		
Employee contributions	\$ 418,470	\$ 376,841
Employer contributions	2,260,862	2,214,212
Total contributions	2,679,331	2,591,053
Investment Income (Expense)		
Interest	72,813	1,073
Dividends	963,184	1,098,481
Realized gain (loss)	(3,408,258)	949,739
Unrealized gain (loss)	(7,410,559)	6,716,817
Investment expense	(241,434)	(253,872)
Total investment income (expense), net	(10,024,254)	8,512,238
Total Additions	(7,344,923)	11,103,291
Deductions		
Benefits paid	19,361,637	5,858,249
Total Deductions	19,361,637	5,858,249
Net Increase (Decrease) In Fiduciary Net Position	(26,706,559)	5,245,042
Net Position Restricted For Pensions -		
 Beginning Of Year	70,669,331	65,424,289
 End Of Year	\$ 43,962,772	\$ 70,669,331

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

NOTES TO FINANCIAL STATEMENTS For The Years Ended December 31, 2022 And 2021

Note 1. Summary Of Significant Accounting Policies

Water District No. 1 of Johnson County, Kansas (WaterOne) is a water utility that provides service to 153,404 and 151,910 customers as of December 31, 2022 and 2021, respectively. WaterOne was organized on November 2, 1953 as a quasi-municipal body corporate with the power of eminent domain. WaterOne is governed by a seven-member Water District Board. Election is for overlapping terms voted on by the qualified electors residing in the WaterOne service area.

Reporting Entity

WaterOne defines its reporting entity to include all component units for which WaterOne's governing body is financially accountable. A primary government is financially accountable if it appoints a voting majority of a potential component unit's governing body and is able to impose its will on that potential component unit or the relationship has the potential for creating specific financial benefits to, or imposing specific financial burdens on, the primary government. WaterOne's financial reporting entity consists of the utility and its component unit: the Water District No. 1 of Johnson County (Kansas) Sixth Revised Retirement Plan and the Water District No. 1 of Johnson County Cash Balance Plan (collectively, the Plan).

The Plan is a single employer, defined benefit pension plan, as discussed further in Note 7. The Plan is a legally separate trust. The Plan is included in WaterOne's financial reporting entity because it is ultimately governed by WaterOne's board, and WaterOne has a financial burden related to the Plan because it is legally obligated to make contributions to the plan in order to provide future benefits to the Plan's participants.

In accordance with GASB Statement No. 84, Fiduciary Activities, the balances and transactions of this component unit are presented in a separate fiduciary fund (the Pension Trust Fund). The Plan does not issue a stand-alone financial report.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

Basis Of Accounting

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. WaterOne has authority to issue bonded debt without the approval of another government. It has the right to sue and be sued and has the right to buy, sell, lease or mortgage property in its own name. Based on these criteria, WaterOne is considered a primary government and there are no other organizations or agencies whose financial statements should be combined and presented with these financial statements.

WaterOne accounts for the water utility as a governmental enterprise fund. The accrual basis and economic measurement focus of accounting is utilized, under which revenues are recognized when earned, and expenses are recorded when liabilities are incurred or deferred charges are amortized. Under this basis of accounting, all assets and all liabilities associated with the operation of WaterOne are included in the statement of net position.

The Financial Statements of the Pension Trust Fund have been prepared using the accrual basis of accounting. Benefits and refunds are recognized when due and payable. Investments are reported at fair value.

WaterOne follows accounting principles and financial reporting requirements as established by the Governmental Accounting Standards Board (GASB).

WaterOne prepares its financial statements in conformity with accounting principles generally accepted in the United States of America as applied to regulated utilities. The accounting and rates of WaterOne are established by the Water District Board.

Operating revenues and expenses are distinguished from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with principal ongoing operations. Non-operating revenues and expenses include those derived from capital and related financing activities, non-capital financing activities, and investing activities.

When both restricted and unrestricted resources are available for use, it is WaterOne's policy to use restricted resources first and then unrestricted resources, as they are needed.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

Capital Assets

Utility plant is stated at cost, or cost of construction, including overhead costs. WaterOne does not capitalize interest during construction. Fully depreciated plant and equipment are included in the accounts until their disposal. WaterOne recognizes a lease liability and an intangible right-to-use lease asset at the commencement of a qualifying lease term. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset. WaterOne's capitalization threshold is \$5,000.

Depreciation is provided on the straight-line method using the following useful lives:

Intake, purification and pumping system	20 - 100 years
Transmission and distribution systems	10 - 100 years
Buildings, improvements, furniture and equipment	3 - 50 years

Accounts Receivable And Unbilled Revenue

WaterOne utilizes cycle billing and accrues an estimated amount of revenues for sales unbilled at the end of each reporting period. The unbilled amount plus any amounts billed to customers but not yet received by WaterOne is recorded as accounts receivable and accrued water sales, net of an allowance for uncollectable accounts of \$55,000 as of December 31, 2022 and 2021.

Investments

Authorized investments consist of direct obligations of the United States of America, debt obligations of certain United States Government Sponsored Enterprises (Agencies) and collateralized bank certificates of deposit. Investments are reported at fair value, based on quoted market prices.

Special Funds Created By Bond Resolutions

Special funds created by bond resolutions consist of cash and investments restricted for debt service on WaterOne's outstanding bonds (P & I Fund), bond reserve funds, and bond covenant required reserves in the general fund.

Materials And Supplies

Materials and supplies inventories are reported at average cost.

Unamortized Refunding Charges

Deferred amounts related to gains or losses from refunding debt are classified as Deferred Outflows or Inflows of Resources and are amortized over the shorter of either 1) the original life of the refunded debt or 2) the life of the refunding debt.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

Bond Premium

Bond premiums are amortized over the life of the related issue using a method which approximates the interest method.

Vacation And Sick Leave

Under the terms of WaterOne's personnel policy, employees are granted vacation and sick leave in varying amounts. In the event of retirement or termination, an employee is paid for accumulated vacation if proper notice is given by the employee. WaterOne accrues the costs related to earned employee vacation, which includes the employer portion of payroll-related taxes.

Upon retirement or termination, employees are not paid for unused sick leave. The costs of sick leave are recorded when paid and are not accrued.

Cash And Cash Equivalents

WaterOne considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Leases

During the year ended December 31, 2022, WaterOne implemented GASB Statement No. 87, *Leases*, and determined there was no material impact to the financial statements for the years ended December 31, 2022 or 2021, respectively.

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 Water District No. 1 of Johnson County, Kansas Sixth Revised Retirement Plan and the Water District No. 1 of Johnson County Cash Balance Plan (collectively, the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. 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.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Water District No. 1 of Johnson County, Kansas Other Postemployment Benefit Plan (the Plan) and additions to/deductions from the Plan fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The Plan is not funded, therefore the Plan has no fiduciary net position to report.

Use Of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows in the financial statements. Net investment in capital assets consists of capital assets and lease assets, net of accumulated depreciation and amortization, reduced by the outstanding balance of any long-term debt used for acquisition, construction, or improvement of those assets and any other related liabilities. Net investment in capital assets excludes unspent bond proceeds. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Any remaining net position is considered unrestricted.

Reclassifications

Certain 2021 amounts have been reclassified, where appropriate, to conform to the presentation used in the 2022 financial statements. There was no impact on the change in net position related to these reclassifications.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

Note 2. Capital Assets

Capital asset activity for the year ended December 31, 2022 is as follows:

	Balance - December 31, 2021	Increases	Decreases	Balance - December 31, 2022
Capital assets not being depreciated:				
Land	\$ 31,669,435	\$ 316,915	\$ —	\$ 31,986,350
Construction work in progress	127,249,604	56,523,435	(48,523,445)	135,249,594
Total capital assets not being depreciated	158,919,039	56,840,350	(48,523,445)	167,235,944
Capital assets being depreciated:				
Intake, purification and pumping system	468,889,935	8,958,424	(896,587)	476,951,772
Transmission and distribution systems	949,824,159	32,874,354	(2,047,166)	980,651,347
Building, improvements, furniture and equipment	50,752,502	6,373,752	(2,145,990)	54,980,264
Total capital assets being depreciated	1,469,466,596	48,206,530	(5,089,743)	1,512,583,383
Less accumulated depreciation for:				
Intake, purification, and pumping system	206,669,498	11,953,382	(896,587)	217,726,293
Transmission and distribution systems	223,737,500	14,433,351	(345,261)	237,825,590
Building, improvements, furniture and equipment	27,866,021	3,316,459	(1,932,839)	29,249,641
Total accumulated depreciation	458,273,019	29,703,192	(3,174,687)	484,801,524
Total capital assets being depreciated, net	1,011,193,577	18,503,338	(1,915,056)	1,027,781,859
Net Capital Assets	\$ 1,170,112,616	\$ 75,343,688	\$ (50,438,501)	\$ 1,195,017,803

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

Capital asset activity for the year ended December 31, 2021 is as follows:

	Balance - December 31, 2020	Increases	Decreases	Balance - December 31, 2021
Capital assets not being depreciated:				
Land	\$ 31,719,435	\$ —	\$ (50,000)	\$ 31,669,435
Construction work in progress	135,083,546	55,663,133	(63,497,075)	127,249,604
Total capital assets not being depreciated	166,802,981	55,663,133	(63,547,075)	158,919,039
Capital assets being depreciated:				
Intake, purification and pumping system	455,905,883	13,468,871	(484,819)	468,889,935
Transmission and distribution systems	904,091,861	49,873,789	(4,141,491)	949,824,159
Building, improvements, furniture and equipment	59,487,038	154,415	(8,888,951)	50,752,502
Total capital assets being depreciated	1,419,484,782	63,497,075	(13,515,261)	1,469,466,596
Less accumulated depreciation for:				
Intake, purification, and pumping system	195,906,420	11,224,949	(461,871)	206,669,498
Transmission and distribution systems	212,013,703	13,496,322	(1,772,525)	223,737,500
Building, improvements, furniture and equipment	33,023,788	3,236,548	(8,394,315)	27,866,021
Total accumulated depreciation	440,943,911	27,957,819	(10,628,711)	458,273,019
Total capital assets being depreciated, net	978,540,871	35,539,256	(2,886,550)	1,011,193,577
Net Capital Assets	\$ 1,145,343,852	\$ 91,202,389	\$ (66,433,625)	\$ 1,170,112,616

Note 3. Deposits And Investments

Kansas statutes authorize WaterOne, with certain restrictions, to deposit or invest in various accounts and instruments. Pursuant to WaterOne's bond resolutions, operating funds and bond funds are to be invested in direct obligations of the United States of America or any agency thereof, or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, including debt obligations of the Government National Mortgage Association.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

Operating and bond funds may also be invested in debt obligations of United States Government Sponsored Enterprises (GSE). Operating and bond funds may also be invested in collateralized repurchase agreements which are collateralized at 100 percent of fair market value by direct obligations of the United States of America or any agency thereof or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, or by debt obligations of United States GSE.

Operating and bond funds may be invested in Municipal General Obligation Bonds issued by any municipality of the state of Kansas defined in KSA 10-1101. Bonds must have a minimum rating at the time of purchase as follows from at least one rating agency:

Rating Agency	Minimum Rating
Moody's	A3
Standard & Poor's	A-
Fitch Ratings	A-

Operating and bond funds may also be invested in guaranteed investment contracts (GICs) with any bank, non-bank financial institution, or insurance company that has long-term debt (or claims paying ability for insurance companies) rated at least "A" or "A2" by Standard & Poor's or Moody's, respectively. In the case of a guaranteed corporation, the long-term debt (or claims-paying ability for insurance companies) of the guarantor must be rated at least "A" or "A2" by Standard & Poor's or Moody's, respectively. Upon downgrade below these ratings, the GIC provider must either post collateral or assign the agreement to a provider meeting the rating qualifications above. Acceptable collateral and margin requirements, if any, are to be specified in the GIC agreement.

Statutes also require that collateral pledged for deposits must have a fair market value equal to 100 percent, less insured amounts, and must be assigned for the benefit of WaterOne. Acceptable collateral is limited to securities that are direct obligations of the United States of America or any agency thereof, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America including U.S. Treasuries and debt obligations of the Government National Mortgage Association, or debt obligations of United States GSE.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

Deposits

As of December 31, 2022 and 2021, the bank balance of WaterOne's deposits were \$14,933,574 and \$12,602,627, respectively, which were covered by federal depository insurance or by collateral held by the Federal Reserve Bank in WaterOne's name under a joint custody arrangement with WaterOne's bank.

Investments

All of WaterOne's investments are registered and held by WaterOne or its agent in WaterOne's name. A summary of investments and deposits of the Business-Type Activity as of December 31, 2022 and 2021 is as follows:

Business-Type Activity	Fair Value/Carrying Value		Moody's / Standard & Poor's Rating
	2022	2021	
U.S. Treasury securities	\$ 106,621,106	\$ 98,272,949	N/A
Federal Home Loan Bank securities	31,572,793	18,032,690	Aaa/AA+
Federal Farm Credit Bank	8,807,810	—	Aaa/AA+
Federal Home Loan Mortgage Corporation	4,438,951	4,496,582	Aaa/AA+
Federal National Mortgage Association	—	9,987,300	Aaa/AA+
Certificates of deposit	—	10,000,000	N/A
Deposits	14,092,629	12,114,651	N/A
Petty cash	300	300	N/A
	\$ 165,533,589	\$ 152,904,472	

The investments and deposits at December 31, 2022 and 2021 are shown on the statement of net position as follows:

	2022	2021
Cash and temporary investments:		
General account	\$ 126,401,475	\$ 113,956,223
System development account	123,608	63,448
Special funds created by bond resolutions	39,008,506	38,884,801
	\$ 165,533,589	\$ 152,904,472

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

A summary of investments and deposits of the Pension Trust Fund as of December 31, 2022 and 2021 is as follows:

Pension Trust Fund	Fair Value/Carrying Value	
	2022	2021
Mutual Fund - Domestic Equity	\$ 22,348,089	\$ 36,404,835
Mutual Fund - Fixed Income	12,927,658	21,092,405
Mutual Fund - International Equity	5,557,609	9,137,663
Mutual Fund - Money Market	3,129,416	4,034,428
Deposits	53,547	24,776
	\$ 44,016,319	\$ 70,694,107

Fair Value

WaterOne categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

WaterOne has the following recurring fair value measurements as of December 31, 2022 and 2021:

- U.S. Treasury securities of \$106,621,106 and \$98,272,949, respectively, valued using quoted market prices (Level 1 inputs).
- Government Agency securities of \$44,819,554 and \$32,516,572, respectively, valued using quoted market prices (Level 1 inputs).
- Certificates of deposit of \$0 and \$10,000,000, respectively, valued at amortized cost.

The Pension Plan has the following recurring fair value measurements as of December 31, 2022 and 2021:

- Mutual Funds – Domestic Equity, Fixed Income, and International Equity Funds of \$40,833,356 and \$66,634,903, respectively, valued using quoted market prices (Level 1 inputs).
- Money Market Mutual Funds of \$3,129,416 and \$4,034,428, respectively, valued at amortized cost.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

Credit Risk And Concentration Of Credit Risk

Credit risk is the risk that the counterparty will not fulfill its obligations. WaterOne limits credit risk and concentration of credit risk by investing only in obligations explicitly guaranteed by the U.S. government, which are not considered to have credit risk, and obligations of the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Home Loan Bank and Government National Mortgage Association. As of December 31, 2022, WaterOne held 20.85% of its investment securities in Federal Home Loan Bank securities, 5.82% in Federal Farm Credit bank securities, 2.93% in Federal Home Loan Mortgage Corporation securities, with the remainder being held in U.S Treasury Securities. As of December 31, 2021, WaterOne held 13.79% of its investment securities in Federal Home Loan Bank securities, 3.44% in Federal Home Loan Mortgage Corporation securities, 7.64% in Federal National Mortgage Association securities, with the remainder being held in U.S Treasury Securities.

The Pension Plan's investment policy does not address credit risk and concentration of credit risk. The Pension Plan's investments in the category of Mutual Fund - Fixed Income are unrated. Because the Pension Plan's investments are in mutual funds, the investments of the Pension Plan are not exposed to concentration of credit risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value of WaterOne's investments will decrease as a result of an increase in interest rates. In accordance with Kansas Statute 12-1675(4), WaterOne manages its exposure to declines in fair values by limiting the total remaining maturity of any single investment to less than two years, with the exception of reserve funds which may be invested in longer maturities to coincide with the expected use of funds, and by structuring the portfolio so that securities mature to meet cash requirements, thereby avoiding the need to sell securities on the open market prior to maturity.

The weighted average maturity in years of investments is .90 and 1.06 as of December 31, 2022 and 2021, respectively.

The Pension Plan's investment policy does not address interest rate risk. The weighted average maturity in years of fixed income mutual funds held by the Pension Plan is 5.24 years at December 31, 2022 and 2021.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

Custodial Credit Risk

Custodial credit risk is the risk that WaterOne will not recover its investments due to the inability of the counterparty to fulfill its obligation. WaterOne's deposits up to \$250,000 are guaranteed by depository insurance and balances above this threshold are collateralized with U.S. government securities held by the counterparty in WaterOne's name.

The Pension Plan's investment policy does not address custodial credit risk.

Note 4. Bonded Indebtedness

Details of revenue bonds outstanding at December 31, 2022 and 2021 are as follows:

<u>Outstanding Bonds</u>	Original Principal	Principal 2022	Principal 2021
Water revenue refunding bonds:			
Series 2017A (2.0% to 5.0%), due 2018 - 2033	\$ 110,205,000	\$ 68,220,000	\$ 77,510,000
Series 2019 (2.0% to 4.0%), due 2020 - 2030	18,610,000	13,920,000	15,555,000
Series 2020 (3.0% to 5.0%), due 2021 - 2033	87,255,000	84,600,000	85,990,000
Water revenue improvement bonds:			
Series 2014 (2.0% to 5.0%), due 2014 - 2033	86,350,000	5,180,000	7,195,000
Series 2017B (2.0% to 5.0%), due 2018 - 2042	40,105,000	35,110,000	36,340,000
	<u>\$ 342,525,000</u>	<u>207,030,000</u>	<u>222,590,000</u>
Less principal amount of bonds payable within one year		<u>20,705,000</u>	<u>15,560,000</u>
		<u>\$ 186,325,000</u>	<u>\$ 207,030,000</u>

Principal maturities occur twice a year on January 1 and July 1.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

The annual requirement to retire the revenue bonds outstanding as of December 31, 2022 is as follows:

Year Ending December 31:	Principal	Interest	Total
2023	\$ 20,705,000	\$ 5,153,236	\$ 25,858,236
2024	16,945,000	4,424,908	21,369,908
2025	17,360,000	4,008,104	21,368,104
2026	17,820,000	3,547,625	21,367,625
2027	18,170,000	3,199,174	21,369,174
2028 - 2032	96,385,000	10,433,303	106,818,303
2033 - 2037	9,670,000	2,635,013	12,305,013
2038 - 2042	9,975,000	886,200	10,861,200
	<hr/> \$ 207,030,000	<hr/> \$ 34,287,563	<hr/> \$ 241,317,563

Following is a schedule of bond activity in 2022:

	Balance - January 1, 2022	Bonds Issued	Principal Payments	Bonds Retired	Balance - December 31, 2022	Debt Due Within One Year	Interest Paid
Water revenue refunding bonds:							
Series 2017A	\$ 77,510,000	\$ —	\$ 9,290,000	\$ —	\$ 68,220,000	\$ 6,640,000	\$ 2,704,000
Series 2019	15,555,000	—	1,635,000	—	13,920,000	1,710,000	589,000
Series 2020	85,990,000	—	1,390,000	—	84,600,000	5,880,000	1,002,944
Water revenue improvement bonds:							
Series 2014	7,195,000	—	2,015,000	—	5,180,000	5,180,000	285,850
Series 2017B	36,340,000	—	1,230,000	—	35,110,000	1,295,000	1,229,206
	<hr/> \$ 222,590,000	<hr/> \$ —	<hr/> \$ 15,560,000	<hr/> \$ —	<hr/> \$ 207,030,000	<hr/> \$ 20,705,000	<hr/> \$ 5,811,000

Following is a schedule of bond activity in 2021:

	Balance - January 1, 2021	Bonds Issued	Principal Payments	Bonds Retired	Balance - December 31, 2021	Debt Due Within One Year	Interest Paid
Water revenue refunding bonds:							
Series 2017A	\$ 86,295,000	\$ —	\$ 8,785,000	\$ —	\$ 77,510,000	\$ 9,290,000	\$ 3,143,250
Series 2019	17,130,000	—	1,575,000	—	15,555,000	1,635,000	652,000
Series 2020	87,255,000	—	1,265,000	—	85,990,000	1,390,000	1,123,559
Water revenue improvement bonds:							
Series 2014	9,210,000	—	2,015,000	—	7,195,000	2,015,000	346,300
Series 2017B	37,510,000	—	1,170,000	—	36,340,000	1,230,000	1,288,456
	<hr/> \$ 237,400,000	<hr/> \$ —	<hr/> \$ 14,810,000	<hr/> \$ —	<hr/> \$ 222,590,000	<hr/> \$ 15,560,000	<hr/> \$ 6,553,565

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

The 2014, 2017A, 2017B, 2019, and 2020 Series Bonds have early redemption provisions at the option of WaterOne. The 2017B and 2019 Series Bonds have certain mandatory sinking fund provisions beginning in 2029 and 2021, respectively. All outstanding Water Revenue Refunding and Water Revenue Improvement Bond Series constitute a lien on the water supply and distribution system and on the revenue produced by the system.

Under terms of the Second Lien Bond resolution, WaterOne must maintain debt service coverage of at least 1.25 times the annual debt service requirement. Under the formula for computing debt service coverage in the Bond resolutions, 2022 net revenues designated as available to meet debt service requirements (operating income before depreciation, plus system development charges and interest income) equaled 3.82 times the annual Second Lien debt service requirement.

The revenue bond resolutions also require that, after all amounts due for operation and maintenance expenses are paid, certain monies be segregated or restricted in special reserves and accounts, as follows:

WaterOne shall deposit on the first day of each month, into the principal and interest account, such amount equal to not less than the pro rata amount of interest and principal that will become due on the bonds on the next succeeding payment date plus amounts that may be required for fiscal agent fees and expenses.

WaterOne shall maintain bond reserve funds for Second Lien Bonds. The funds shall consist of either cash or equivalent security irrevocably available as long as the bonds remain outstanding. The reserve requirement for each fund is equal to the lesser of the maximum annual debt service or 125 percent of the average annual debt service for the respective group of Second Lien bonds. As of December 31, 2022 and 2021, there was \$4,477,836 in the 2014 Second Lien Bond Reserve, \$5,920,713 in the 2017A Second Lien Bond Reserve, \$2,084,592 in the 2017B Second Lien Bond Reserve, \$1,033,455 in the 2019 Second Lien Bond Reserve, and \$4,362,750 in the 2020 Second Lien Bond Reserve.

After all the requirements in the preceding provisions have been met, the remaining monies may be expended for any lawful purpose, provided WaterOne maintains a general fund balance sufficient to provide for renewal and replacement costs, operating expenses, material purchases and unfunded contracts and contingencies in an amount equal to 1/6 of budgeted revenue requirements.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

As of December 31, WaterOne had committed cash and short-term investments as provided by bond resolutions or Board actions as follows:

	2022	2021
General Fund cash and short-term investments	\$ 147,361,053	\$ 134,143,951
<u>Less funds reserved by bond resolution (Section 703)</u>	20,959,578	20,187,728
<u>General Fund after bond resolution reserves (Section 703)</u>	\$ 126,401,475	\$ 113,956,223

WaterOne, by Board action, can reserve remaining general funds to cover negative cash flows, to fund a Rate Stabilization Reserve, and to provide a reserve for current and future Master Plan construction projects as well as Transmission and Distribution projects. The reserving of these Master Plan and Transmission and Distribution funds reduces the necessity or size of future bond issues, thus reducing future debt service expense, and provides funding for the obligations of construction and other related contracts that have been awarded.

Additionally, WaterOne, by Board resolution, has established an account consisting of revenues collected from system development charges for the purpose of funding major improvements to the supply and distribution system. As of December 31, 2022 and 2021, the account totaled \$123,608 and \$63,448, respectively.

In 2022 and 2021, WaterOne did not carry an alternative debt in the form of bank loans, or have any privately placed debt, and all debt of WaterOne is on parity.

At December 31, 2021, the total amount of debt defeased in substance that remains outstanding is \$74,405,000. The entire balance is scheduled to be fully redeemed on January 1, 2024.

Note 5. Customer Advances For Construction

Customer advances for construction are primarily for construction of water main extensions. These are valued at acquisition value at the time of contribution. Some advances are contingently refundable in accordance with WaterOne's rules and regulations. However, substantially all main extension contracts executed provide for no refunds. The nonrefundable advances are recognized as contributed capital after construction is completed.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

Note 6. Other Capital Contributions

Customer advances for new services and system development charges are collected at the time the applicant requests a tapping permit. If the tap related to the permit is completed, the new service and system development charges are recognized as contributed capital. If the permit lapses, the new service amount and the system development amount are refunded to the applicant.

Contributed capital from WaterOne-owned Benefit Areas (BA) consists of nonrefundable charges to those entities that request a hook-up to specifically designated water mains. These pre-designated mains are usually installed in “leap frog” development areas and the BA charges are designed to recuperate only the actual cost of the specific main that is being hooked on to.

New services contributions consist of a nonrefundable charge assessed on completed new service connections. The new service charge is designed to compensate for the applicable cost of service materials and WaterOne labor and overhead costs related to the permitting, tapping and inspection process.

In 2022, WaterOne applied for and received approval for the Pre-Disaster Mitigation Grant Program through the Kansas Division of Emergency Management under the Department of Homeland Security - Federal Emergency Management Agency. The grant program will provide up to \$4,837,500 in funding. The grant funds were approved for a specific capital improvement project to add redundant power at the Wyss Pump Station. At December 31, 2022, the reimbursements were approximately \$215,000.

Capital Contributions (Dollars in thousands)

	December 31,		Variance	
	2022	2021	Dollars	Percentage
		Increase (Decrease)		
Main extensions	\$ 14,025	\$ 8,725	\$ 5,300	60.74%
System development charges	9,272	9,704	(432)	(4.45)%
Benefit areas	88	185	(97)	(52.43)%
New services	1,525	1,520	5	0.33%
Grant funds	215	—	215	n/a
Total Capital Contributions	\$ 25,125	\$ 20,134	\$ 4,991	24.79%

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

Note 7. Retirement Plan

Defined Benefit Plan Description

Water District No. 1 of Johnson County (Kansas) Sixth Revised Retirement Plan and the Water District No. 1 of Johnson County Cash Balance Plan (collectively, the Plan) are a single-employer defined benefit pension plan administered by WaterOne to provide pension benefits for its employees. The primary oversight of the Plan has been delegated to the Retirement Committee by the WaterOne Board. The Retirement Committee is comprised of six voting members, three of which are appointed by the WaterOne Board, and three of which are employees of WaterOne. Among the delegated duties of the Retirement Committee are the responsibility for interpreting the Plan, making recommendations to the Board of any Plan changes, the hiring of consultants as well as establishing and monitoring compliance with approved investment policies. The Plan does not issue a stand-alone financial report.

Benefits Provided

All full-time employees are covered under the Plan. Employees hired prior to January 1, 2014 participate in the Final Average Pay Plan, after attaining age 21 and one year of service. Employees hired on or after January 1, 2014 participate immediately in the Cash Balance Plan. The main benefits provided are retirement benefits. However, the Plan also provides ancillary benefits in the event of pre-retirement death, disability, or termination of employment prior to meeting the eligibility requirements to retire.

Final Pay Plan: Retirement is at age 65 with benefits calculated as the greater of: (1) 1.91% of average monthly earnings (AME) (AME is the highest five consecutive year average of January 1 base rates of pay) plus 0.48% of AME in excess of monthly integration multiplied by the years of credited service (max of 25) plus 0.50% of AME times credited service in excess of 25 years, (2) 1.5% of monthly base rate of pay for each plan year in which the participant earns credited service, or (3) the December 31, 1988 accrued benefit. The calculation varies with early retirement including unreduced benefits at age 62 with 15 years of service. Benefits vest after five years of service.

Cash Balance Plan: Retirement is at age 65 with benefits calculated using base pay and a schedule of pay credits ranging from 3% to 6%, based on years of service, plus interest credits at an effective annual rate of 5.25%. Early and late retirement benefits are actuarial equivalent of the participant's account balance as of the annuity starting date. Benefits vest after five years of service.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

The benefit paid to a retired Final Pay Plan member is subject to an ad hoc COLA. No such COLA has been granted in the recent past. Benefit and contribution provisions are specified in the Plan document and may only be amended by WaterOne.

Employees Covered By Benefit Terms

At December 31, the following employees were covered by the benefit terms:

	2022	2021
Membership Data		
Retirees and Beneficiaries	111	105
Inactive Vested Members	97	95
Inactive Nonvested Members	15	10
Active Employees	378	372
Total Membership	601	582

Contributions

An actuarial valuation is performed each year to determine the employer actuarial required contribution. Contribution provisions are specified in the Plan document and may only be amended by WaterOne. Members of the Final Pay Plan do not make contributions to the Plan. Members of the Cash Balance Plan contribute 3% of compensation. WaterOne contributes for the full employer actuarial contribution amount as determined in the annual actuarial valuation. For the years ending December 31, 2022 and 2021, the Plan received \$2,260,862 and \$2,214,212, respectively, in employer contributions.

Net Pension Liability

WaterOne's net pension liability for the reporting period ended December 31, 2022 was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

Actuarial Assumptions

The total pension liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Method	Entry Age Normal
Asset Valuation Method	5 year smoothed market
Amortization Method	Level dollar, closed
Inflation	3.50% wage; 2.50% price
Salary Increases	3.50% - 7.75% per year
Investment Rate of Return, Net of Investment Expense	7.00%

Mortality rates were based on the Pub-2010 General Employees Median Mortality Table set forward one year with generational mortality improvements using scale MP-2019.

Long-Term Expected Rate Of Return

The long-term expected rate of return on Plan assets is reviewed as part of regular experience studies prepared periodically. During August 2020, the Water District adopted Experience Study recommendations to be effective for the January 1, 2021 Actuarial Valuation. The approved changes included several demographic, economic and other plan specific assumptions. Assumption changes with the biggest impact on the Unfunded Actuarial Liability include the following:

- A decrease of assumed rate of return from 7.75% to 7.00%
- Mortality assumptions
- Lump sum interest rate and selection rate assumptions

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

Generally, several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class, were developed by the Plan's investment consultant. These ranges were 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 then adding expected inflation. The capital market assumptions developed by the investment consultant often cover a shorter investment horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the long-term inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of geometric real rates of return for each major asset class as of December 31, 2022, as provided by the Plan's investment consultant, Benefit Trust, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate Of Return
Domestic Equity	52.00%	4.26%
Foreign Equity	13.00%	6.48%
Fixed Income	30.00%	1.59%
<u>Cash/Cash Equivalents</u>	<u>5.00%</u>	<u>0.00%</u>
<u>Total</u>	<u>100.00%</u>	

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

Discount Rate And Annual Money-Weighted Rate Of Return

The discount rate used to measure the total pension liability at December 31, 2022 was 7.00% and as of December 31, 2021 was 7.00%. The annual money-weighted rate of return on investments was -14.85% and 13.19%, respectively. The annual money-weighted rate of return expresses investment performance, net of pension plan expense, adjusted for the changing amounts actually invested.

The projection of cash flows used to determine the discount rate assumed that plan contributions from employees and WaterOne will be made at the current contribution amounts as set out in the funding policy. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability at the measurement date. Projected future benefit payments for all current plan members were projected through 2121.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

Changes In The Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances At December 31, 2020	\$ 63,053,768	\$ 59,711,257	\$ 3,342,511
Changes For The Year:			
Service cost at end of year	1,568,859	—	1,568,859
Interest on total pension liability	4,710,696	—	4,710,696
Differences between expected and actual experience	520,422	—	520,422
Assumption changes	6,091,090	—	6,096,517
Employer contributions	—	1,731,940	(1,731,940)
Employee contributions	—	319,256	(319,256)
Net investment income	—	8,541,216	(8,541,216)
Benefit payments, including member refunds	(4,642,184)	(4,642,184)	—
Administrative expenses	—	(237,196)	237,196
Net changes	8,248,883	5,713,032	2,541,278
Balances At December 31, 2021	71,302,651	65,424,289	5,878,362
Changes For The Year:			
Service cost at end of year	1,944,009	—	1,944,009
Interest on total pension liability	4,803,562	—	4,803,562
Differences between expected and actual experience	2,032,069	—	2,032,069
Assumption changes	80,334	—	80,334
Employer contributions	—	2,214,212	(2,214,212)
Employee contributions	—	363,980	(363,980)
Net investment income	—	8,765,893	(8,765,893)
Benefit payments, including member refunds	(5,858,718)	(5,858,718)	—
Administrative expenses	—	(240,325)	240,325
Net changes	3,001,256	5,245,042	(2,243,786)
Balances At December 31, 2022	\$ 74,303,907	\$ 70,669,331	\$ 3,634,576

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

Sensitivity Of The Net Pension Liability To Changes In The Discount Rate

The following presents the net pension liability of WaterOne, 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 one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Current Single Discount		
	Rate Assumption		
	1.0% Decrease		1.0% Increase
		(6.00%) (7.00%) (8.00%)	
Net Pension Liability (Asset)	\$ 11,394,236	\$ 3,634,576	\$ (2,974,824)

Pension Expense, Deferred Outflows Of Resources And Deferred Inflows Of Resources Related To Pensions

For the years ended December 31, 2022 and 2021, WaterOne recognized pension expense under GASB 68 of \$1,463,900 and \$1,819,246, respectively. WaterOne reported deferred outflows and inflows of resources related to pensions from the following sources for 2022 and 2021:

	2022	
	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ 3,147,849	\$ 31,259
Changes of assumptions	4,540,500	—
Differences between projected and actual earnings	1,041,330	8,184,997
Contributions subsequent to the measurement date	2,260,862	—
Total	\$ 10,990,541	\$ 8,216,256

	2021	
	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ 1,861,205	\$ 69,853
Changes of assumptions	5,395,460	—
Differences between projected and actual earnings	2,082,659	7,262,574
Contributions subsequent to the measurement date	2,214,212	—
Total	\$ 11,553,536	\$ 7,332,427

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date of \$2,260,862 will be recognized as a reduction in the net pension liability for the year ending December 31, 2023.

Experience gains/losses and the impact of changes in actuarial assumptions, if any, are recognized over the average expected remaining service life of the active and inactive Plan members at the beginning of the measurement period. Investment gains and losses are recognized equally over a five-year period. Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	Net Deferred Outflows Of Resources	Net Deferred Inflows Of Resources
2023	\$ 2,555,762	\$ 2,860,446
2024	1,472,421	2,829,185
2025	1,346,331	1,665,244
2026	1,274,335	861,381
2027	1,201,596	—
Thereafter	879,236	—
Total	\$ 8,729,681	\$ 8,216,256

Note 8. Other Postemployment Benefits (OPEB)

Plan Description

WaterOne provides a single-employer health care plan that provides medical and prescription drugs to all employees who retire under the provisions of the Water District No. 1 of Johnson County, Kansas, Revised Retirement Plan. For employees hired before January 1, 2008, WaterOne pays 50 percent of the health care coverage and 100 percent of life insurance. WaterOne does not pay any premium cost for employees hired after 2007. The current funding policy of WaterOne is to pay premiums as they occur on a pay-as-you-go basis. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

Benefits Provided

Employees who have attained age 55 and retire from active employment with 10 consecutive years of service are eligible for retiree benefits. Eligible retirees and their spouses receive medical and prescription drug insurance coverage through a fully-insured plan. These are the same plans that are available for active employees. WaterOne establishes and amends contribution requirements. WaterOne pays a portion of the health insurance premiums for the District's group medical insurance plan and/or an AARP (Medicare supplement plan) plan and/or a COBRA plan for employees hired prior to January 1, 2008. The type of plan covering the retiree and spouse depends on the age of the retiree and spouse, and as each becomes 65 years old, the coverage changes from WaterOne's group medical plan to a Medicare supplement plan.

Employees Covered By Benefit Terms

At December 31, the following employees were covered by the benefit terms:

	2022	2021
Membership Data		
Active Employees (Health and Life)	372	372
 Retiree Health Benefits Plan:		
Retired Members	103	103
Spouses of Retired Members	53	53
Total Retiree Health Plan	156	156
 Retiree Life Insurance Plan:		
Retired Members	159	159

The January 1, 2019 valuation is the first to include active members hired after January 1, 2008. Kansas Statutes require local governments to provide their employee health care benefits to retirees under the age of 65 with 10 or more years of service until the retiree reaches age 65. This change had no significant impact on the OPEB calculation.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

Total OPEB Liability And Changes In OPEB Liability

WaterOne's total OPEB liability was based on an actuarial valuation dated January 1, 2022. GASB statement number 75 requires a measurement date no earlier than the end of WaterOne's prior year end. For the year ended December 31, 2022, the measurement date used is December 31, 2021. Changes in the OPEB liability are as follows:

	2022	2021
<u>Net OPEB liability - beginning of year</u>	<u>\$ 21,586,508</u>	<u>\$ 19,092,685</u>
Service costs	755,895	647,216
Interest	451,945	517,046
Differences between expected and actual experience	—	435,098
Changes in assumptions and inputs	228,928	1,480,461
<u>Employer contributions (benefit payments)</u>	<u>(539,587)</u>	<u>(585,998)</u>
<u>Net changes to OPEB liability</u>	<u>897,181</u>	<u>2,493,823</u>
 <u>Net OPEB liability - end of year</u>	 <u>\$ 22,483,689</u>	 <u>\$ 21,586,508</u>

The current portion of the net OPEB liability of \$362,187 and \$299,712 as of December 31, 2022 and 2021, respectively, is presented within other current liabilities on the Statement of Net Position.

Changes in assumptions for the most recent valuation include changing the discount rate from 2.12% to 2.05%.

Actuarial valuations reflect a long-term perspective and involve estimates of the value reported amounts and assumptions about the probability of events far into the future. Actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities. These calculations are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. As allowed by GASB, this reporting requirement is being implemented prospectively. Data is not available for prior years. The actuarial calculations have been based on the substantive plan in place at the time of valuation and on the pattern of cost sharing between the employers and members to that point.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

Actuarial Assumptions And Other Inputs:

The total OPEB liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions		
Actuarial cost method	Entry Age Normal	
Valuation date	January 1, 2022	
Measurement date	December 31, 2021	
Salary scale	3.50% - 7.75%	
Price inflation	2.50%	
UAAL amortization method	Level dollar amount	
UAAL amortization period, closed/open	5 years, open	
Discount rate	2.05% (Measurement Date) 2.12% (Prior Measurement Date)	
Mortality	Pub-2010 General Employees Median Mortality Table set forward one year with generational mortality improvements using Scale MP-2019	
	Pre-Medicare	Medicare
Health care cost trend rate	7.00%	5.25%
Ultimate trend rate	4.50%	4.50%
Year of Ultimate trend rate	2031	2025

To the extent OPEB Plan assets are projected to be sufficient to make projected benefit payments, the discount rate will equal the expected return on such assets. To the extent the OPEB Plan is not projected to be sufficient to make future benefit payments, the yield or index for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher should be factored in. Plan assets do not apply to WaterOne's program. In order to determine the municipal bond rate we took the monthly average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer. The selected average rates are 2.05% (measurement date) and 2.12% (prior measurement date). These were used as the discount rates to determine present value costs.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

Sensitivity Of The Total OPEB Liability To Changes In The Discount Rate:

The following presents the total OPEB liability of WaterOne, as well as what WaterOne's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.05%) or one percentage point higher (3.05%) than the current discount rate:

	Current Single Discount		
	Rate		
	1% Decrease	Assumption	1% Increase
		(1.05%)	
Total OPEB Liability	\$ 26,172,711	\$ 22,483,689	\$ 19,516,902

Sensitivity Of The Total OPEB Liability To Changes In The Healthcare Cost Trend Rates:

The following presents the total OPEB liability of WaterOne, as well as what WaterOne's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.00% decreasing to 3.50%) or one percentage point higher (8.00% decreasing to 5.50%) than the current healthcare cost trend rates:

	Current		
	1% Decrease	Trend	1% Increase
Total OPEB Liability	\$ 19,512,501	\$ 22,483,689	\$ 26,280,949

OPEB Expense And Deferred Outflows Of Resources And Deferred Inflows of Resources Related To OPEB:

For the year ended December 31, 2022, WaterOne recognized OPEB expense of \$1,129,448. At December 31, 2022, WaterOne reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2022	
	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ 327,666	\$ 532,249
Changes of assumptions	3,359,318	1,049,217
Contributions subsequent to the measurement date	362,177	—
Total	\$ 4,049,161	\$ 1,581,466

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

For the year ended December 31, 2021, WaterOne recognized OPEB expense of \$1,034,298. At December 31, 2021, WaterOne reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021	
	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ 381,382	\$ 665,979
Changes of assumptions	3,935,222	1,333,617
Contributions subsequent to the measurement date	299,712	—
Total	\$ 4,616,316	\$ 1,999,596

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date of \$362,177 will be recognized as a reduction in the OPEB liability for the year ending December 31, 2023. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,	Net Deferred Outflows Of Resources	Net Deferred Inflows Of Resources
2023	\$ 674,686	\$ 397,353
2024	674,686	397,353
2025	674,686	397,353
2026	674,686	389,407
2027	666,480	—
Thereafter	321,760	—
Total	\$ 3,686,984	\$ 1,581,466

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

Note 9. Employee Benefits

Deferred Compensation

WaterOne offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time and part-time WaterOne employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Defined Contribution

WaterOne offers its employees a defined contribution plan created in accordance with Internal Revenue Code Section 401(a). The defined contribution plan has four parts, consisting of the following:

Employees hired before January 1, 2014:

WaterOne offers its employees a defined contribution plan, available to all full-time and part-time WaterOne employees, which provides for a WaterOne contribution matching 50.0% of an employee's contribution to the 457 plan, up to 4.0% of the employee's eligible annual compensation. The maximum WaterOne contribution is 2.0% of the employee's eligible compensation.

WaterOne offers its employees a defined contribution plan, available to all full-time WaterOne employees with at least six months of service, which provides for a contribution of 2.5% of the employee's eligible annual compensation.

Employees hired on or after January 1, 2014:

WaterOne offers its employees a defined contribution plan, available to all full-time and part-time WaterOne employees, which provides for a WaterOne contribution matching 100% of an employee's contribution to the 457 plan, up to the first 2.0% of the employee's eligible annual compensation and a match of 50.0% on the next 5.0% of eligible annual compensation.

WaterOne offers its employees a defined contribution plan, available to all full-time WaterOne employees with at least six months of service, which provides for a contribution of 4.0% of the employee's eligible annual compensation.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

Assets of all portions of the 401(a) plan are not available to employees until termination, retirement, death or unforeseen emergency. New employees are subject to a five-year vesting schedule consisting of 20.0% vested at the end of each year until the employee has five years of service. After five years of service is obtained, all subsequent employer contributions are 100% vested.

WaterOne had deposited assets for the matching portions of the 401(a) plan in the amount of \$737,793 and \$701,146 during 2022 and 2021, respectively. As of December 31, 2022 and 2021, a liability had been recorded by WaterOne for the annual percent base contributions in the amounts of \$924,871 and \$879,178, respectively. These amounts were subsequently deposited to the defined contribution plan in February 2023 and January 2022. The defined contribution plan assets are held in trust for the exclusive benefit of employees and their beneficiaries.

Compensated Absences

Under the terms of WaterOne's personnel policy, employees are granted vacation leave in varying amounts based on length of service and full-time or part-time status. In the event of retirement or termination, an employee is paid for accumulated vacation.

Vacation Liability At 12/31/2021	2022 Earned Vacation	2022 Taken Vacation	Vacation Liability At 12/31/2022	Due Within One Year
\$ 2,175,702	\$ 2,154,778	\$ 2,217,699	\$ 2,112,781	\$ 2,112,781
<hr/>				
Vacation Liability At 12/31/2020	2021 Earned Vacation	2021 Taken Vacation	Vacation Liability At 12/31/2021	Due Within One Year
\$ 2,186,927	\$ 1,808,122	\$ 1,819,347	\$ 2,175,702	\$ 2,175,702

WATER DISTRICT NO. 1 OF JOHNSON COUNTY, KANSAS

Notes To Financial Statements (*Continued*)

Note 10. Commitments And Contingencies

Master Plan projects are part of a comprehensive plan developed by WaterOne's consulting engineers to meet WaterOne's long-term water system needs. As of December 31, 2022, WaterOne had total contractor commitments of \$44.79 million related to various Master Plan projects. Approximately \$27.08 million of the Master Plan commitments have been charged to the projects as of December 31, 2022, leaving \$17.71 million in amounts committed at December 31, 2022. WaterOne has sufficient monies designated in the system development account and the general account to fund any unpaid Phase V outstanding costs and retainages. Also included in the December 31, 2022 balance of the system development account and the general account are monies for anticipated engineering, legal services and contingencies that may be required to bring these projects to completion.

WaterOne has various lawsuits and claims pending which arise through the normal course of operations. Management believes the ultimate liabilities, if any, of these lawsuits would not be material to the financial position or results of operations of WaterOne.

Note 11. Risk Management

WaterOne is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; natural disasters; and malpractice. WaterOne purchases commercial insurance for property and casualty, workers' compensation, employee health, life, and dental insurance. During the last three years, settled claims have not exceeded insurance coverage.

Note 12. Governmental Accounting Standards Board (GASB) Statements

As of May 31, 2020, GASB has issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement requires activities associated with a subscription-based information technology arrangements to be grouped into three stages and accounted for accordingly. This statement will be effective for WaterOne's year ending December 31, 2023. WaterOne has not yet determined the effect that the adoption of this Statement will have on its financial statements.

Supplementary Information

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

REQUIRED SUPPLEMENTARY INFORMATION Schedules Of Selected Pension Information December 31, 2022

Schedule 1

Schedule of Employer Contributions

Year Ended December 31,
(\$ In Thousands)

Year	Actuarially Determined Contribution	Contribution In Relation To The Required Contribution	Contribution Excess (Deficiency)	Covered Payroll	Contribution As A Percentage Of Covered Payroll
2013	\$ 2,966	\$ 2,966	\$ —	\$ 22,199	13.4%
2014	2,684	2,684	—	22,832	11.8%
2015	3,081	3,081	—	23,045	13.4%
2016	2,672	2,672	—	23,878	11.2%
2017	2,709	2,709	—	22,373	12.1%
2018	2,683	2,683	—	22,855	10.8%
2019	2,718	10,629	7,911	27,216	39.1%
2020	1,727	1,731	4	27,271	6.4%
2021	2,216	2,214	(2)	27,396	8.1%
2022	2,252	2,261	9	28,883	7.8%

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported for the year ending December 31, 2022 (based on the January 1, 2022 actuarial valuation).

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	Charge and credit amortizations range from 1 to 23 years (Single Equivalent Amortization Period is 12 years)
Asset valuation method	5-year smoothed market
Salary increases, including wage inflation	3.50 to 7.75 percent
Long-term rate of return, net of investment expense, and including inflation	7.00 percent
Key assumption changes from the prior year:	None

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS
REQUIRED SUPPLEMENTARY INFORMATION
Schedules Of Selected Pension Information
December 31, 2022

Schedule 2

Schedule Of Changes In The Net Pension Liability

	As Of The Most Recent Measurement Date							
	December 31,							
	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 1,944,009	\$ 1,568,859	\$ 1,543,042	\$ 1,539,682	\$ 1,508,239	\$ 1,539,973	\$ 1,595,654	\$ 1,469,574
Interest	4,803,562	4,710,696	4,486,767	4,218,831	3,973,168	3,741,788	3,627,117	3,605,427
Benefit provision changes	—	—	—	—	—	—	—	—
Differences between expected and actual experience	2,032,069	520,422	495,375	491,479	672,001	1,042,069	(301,417)	962,367
Assumption changes	80,334	6,091,090	—	—	—	—	—	1,975,401
Benefit payments, including member refunds	(5,858,718)	(4,642,184)	(2,680,339)	(2,901,079)	(3,063,012)	(3,603,463)	(3,285,912)	(3,950,945)
Net Change In Total Pension Liability	3,001,256	8,248,883	3,844,845	3,348,913	3,090,396	2,720,367	1,635,442	4,061,824
Total Pension Liability - Beginning	71,302,651	63,053,768	59,208,923	55,860,010	52,769,614	50,049,247	48,413,805	44,351,981
Total Pension Liability - Ending (a)	74,303,907	71,302,651	63,053,768	59,208,923	55,860,010	52,769,614	50,049,247	48,413,805
Plan Fiduciary Net Position								
Employer contributions	2,214,212	1,731,940	10,629,371	2,683,768	2,709,157	2,672,247	3,080,900	2,683,598
Employee contributions	363,980	319,256	288,753	232,795	158,469	127,371	77,736	27,199
Net investment income	8,765,893	8,541,216	9,403,422	(1,782,436)	5,773,920	2,657,466	(359,276)	2,554,880
Benefit payments, including member refunds	(5,858,718)	(4,642,184)	(2,680,339)	(2,901,079)	(3,063,012)	(3,603,463)	(3,285,912)	(3,950,945)
Administrative expenses	(240,325)	(237,196)	(247,091)	(180,056)	(170,751)	(278,054)	(261,439)	(267,041)
Other changes	—	—	—	—	—	—	—	—
Net Change In Plan Fiduciary Net Position	5,245,042	5,713,032	17,394,116	(1,947,008)	5,407,783	1,575,567	(747,991)	1,047,691
Plan Fiduciary Net Position - Beginning	65,424,289	59,711,257	42,317,141	44,264,149	38,856,366	37,280,799	38,028,790	36,981,099
Plan Fiduciary Net Position - Ending (b)	70,669,331	65,424,289	59,711,257	42,317,141	44,264,149	38,856,366	37,280,799	38,028,790
Net Pension Liability - Ending (a) - (b)	\$ 3,634,576	\$ 5,878,362	\$ 3,342,511	\$ 16,891,782	\$ 11,595,861	\$ 13,913,248	\$ 12,768,448	\$ 10,385,015
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	95.11%	91.76%	94.70%	71.47%	79.24%	73.63%	74.49%	78.55%
Covered payroll	\$ 28,882,999	\$ 27,395,738	\$ 27,215,678	\$ 22,855,398	\$ 22,373,092	\$ 23,878,000	\$ 23,044,509	\$ 22,832,055
Employers' Net Pension Liability as a percentage of covered payroll	12.58%	21.46%	12.28%	73.91%	51.83%	58.27%	55.41%	45.48%
Annual Money-Weighted Rate of Return on Investments	-14.85%	13.2%	14.4%	-4.4%	14.2%	6.45%	-1.63%	6.29%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

REQUIRED SUPPLEMENTARY INFORMATION Schedule Of Changes In The Total Other Postemployment Liability And Related Ratios December 31, 2022

Schedule 3

As Of The Most Recent Measurement Date:

Total OPEB Liability	December 31,				
	2021	2020	2019	2018	2017
Service cost	\$ 755,895	\$ 647,216	\$ 447,562	\$ 554,185	\$ 479,840
Interest	451,945	517,046	619,992	601,632	615,238
Changes in benefit terms					
Differences between expected and actual experience	—	435,098	—	(1,067,169)	—
Changes in assumptions or other inputs	228,928	1,480,461	3,274,298	(2,103,709)	1,010,202
Benefit payments	(539,587)	(585,998)	(516,937)	(510,633)	(496,547)
Net change in total OPEB liability	897,181	2,493,823	3,824,915	(2,525,694)	1,608,733
Total OPEB liability - beginning	21,586,508	19,092,685	15,267,770	17,793,464	16,184,731
Total OPEB liability - ending	\$ 22,483,689	\$ 21,586,508	\$ 19,092,685	\$ 15,267,770	\$ 17,793,464
Covered payroll	\$ 29,039,125	\$ 28,469,730	\$ 26,793,561	\$ 26,013,166	\$ 13,957,525
Total OPEB liability as a percentage of covered payroll	77.43%	75.82%	71.26%	58.69%	127.48%

Notes: The above schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Assets are not accumulated in a trust that meets the criteria of paragraph 4 in GASB 75.

Changes Of Benefit Terms Or Assumptions

- 1) The discount rate was changed from 2.12% to 2.05% in the most recent valuation.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

ADDITIONAL SUPPLEMENTARY INFORMATION Insurance Coverage (Unaudited) Page 1 Of 5 For The Year Ended December 31, 2022

Schedule 4

Property or Liability Insured	Character of Insurance	Premium	Amount of Insurance	Name of Insurer	Expiration Date
Blanket building and contents per schedule of values	COVERAGE I – Property, Inland Marine, Boiler & Machinery All risk of direct physical loss of or damage to the insured property.	\$437,090	\$400,000,000 Loss Limit Real and personal property \$35,000,000 - Business Income \$5,000,000 - Extra Expense \$50,000,000 Limitation Flood and Earthquake Coverage \$500,000 Fine Arts \$3,800 month/\$45,600 Aggregate Equipment Rental Terrorism - Included	Continental Casualty Insurance Company 333 S Wabash Ave, Chicago, IL 60604 Policy # 2010729912	07/01/23
	Note: Policy includes COVERAGE II: Boiler and COVERAGE III: Inland Marine				
	Deductible	Coverage			
	\$100,000	Flood (outside floodplains)/earthquake			
	\$500,000	Flood inside floodplains area			
	\$25,000	Wind/Hail per location (except the below mentioned locations)			
		*10900 Sam Clark Lane, Kansas City, KS \$100,000			
		*7601 Holiday Drive, Kansas City, KS \$100,000			
		*Hedge Lane Pumping Station, 159th Hedge Lane, Olathe, KS \$100,000			
		*163210 W 108th, Lenexa, KS \$100,000			
		*10747 Renner Blvd., Lenexa, KS \$500,000			
	\$25,000	All other losses			
	\$25,000	Business Income			
	\$5,000	Fine arts coverage			
	\$25,000	Acts of Terrorism			
Boilers, fired storage water heaters, fired coil water heaters, and electric steam generators per schedule	COVERAGE II – Boiler Losses on property of insured, temporary repairs to property of insured, losses to property of others, defense against claims	See COVERAGE I above	\$200,000,000	Continental Casualty Company 333 S Wabash Ave, Chicago, IL 60604 Policy # 2010729912	07/01/23
	Deductible				
	\$25,000				
	Time Element				
	1MDV				
Per schedule of equipment	COVERAGE III – Inland Marine Physical loss or damage of EDP, mobile equipment, contractors equipment	See COVERAGE I above		Continental Casualty Insurance Company 333 S Wabash Ave, Chicago, IL 60604 Policy # 2010729912	07/01/23
	Deductible	Coverage			
	\$25,000	All other losses			
	\$25,000	Electronic Data Processing	Included		
	\$1,000	Laptops & Ipads	\$665,900		
	\$1,000	GPS Equipment	\$302,825		
	\$1,000	Mobile Equipment	\$182,578		
	\$5,000	Scheduled Contractors Equipment & Trailers	\$5,838,128		
	\$10,000	Leased equipment	\$1,000,000		

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

ADDITIONAL SUPPLEMENTARY INFORMATION Insurance Coverage (Unaudited) Page 2 Of 5 For The Year Ended December 31, 2022

Schedule 4 (*Continued*)

Bodily injury and property damage	COVERAGE IV- General Liability	\$272,188	The Charter Oak Fire Insurance Co	07/01/23
	Deductible - \$10,000		\$1,000,000 per occurrence \$3,000,000 aggregate \$3,000,000 products-completed operations aggregate Excluded Medical Expense	485 Lexington Ave, New York, NY 10017 Policy # ZLP-15T48479-22
Based on revenue	Management Liability	Included	\$1,000,000 per occurrence \$3,000,000 aggregate	
Includes Wrongful Acts, Employment Practices Liability and Offenses in the Admin. Of Employee Benefit Plans	<u>Retroactive Date - 7-1-2011</u> Deductible - \$5,000 per offense			
Coverage extends to all District owned, rented, or leased vehicles	COVERAGE V- Comprehensive Auto Liability:	\$158,666	Travelers Indemnity Company	07/01/23
	Liability coverage is combined single limit for bodily injury and property: Kansas Statutory Limit	\$ 1,000,000 \$ 500,000	485 Lexington Ave, New York, NY 10017 Policy # 810-2C412861-IND-22	
	<u>Coverage</u>			
	Bodily injury and property damage NO DEDUCTIBLE ON LIABILITY			
	Comprehensive automobile physical damage to fleet including fire, explosion, theft, windstorm, hail, earthquake, and flood			
	Deductibles apply to each covered vehicle; there is no deductible on fire or lightning loss		Actual cash value	
	<u>Deductible</u>	<u>Coverage</u>		
	\$1,000 each ded. \$1,000 each ded. \$1000 ded comp/\$1,000 coll \$25,000	Comprehensive Collision 50,000 limit on hired car Single Accident all auto PD aggregate		
	Additional named insured on leased vehicles, or used by others under contract			
	COVERAGE VI- Excess Liability - Occurrence	\$36,881	Travelers Property & Casualty Co of America	07/01/23
	Excess over general liability, automobile, employment practices, public officials, & employers liability	\$5,000,000 Each Occurrence \$5,000,000 General aggregate	485 Lexington Ave, New York, NY 10017 Policy # ZUP-51M63005-22	
	<u>Deductible</u>			
	Each occur/loss \$10,000			
Pollution liability	COVERAGE VII – Environmental Impairment Liability (claims made)	\$ 104,040 (3 yr policy)	Illinois Union Insurance Co. 303 Erie St. #310, Chicago, IL 60654 Policy #PPL G28137060 003	07/01/25
	*Premium includes Addition of the water treatment plant and monofil			
	Retro date 01/01/03			
	Per occurrence/aggregate			
	<u>Deductible</u>			
	Each loss \$25,000			

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

ADDITIONAL SUPPLEMENTARY INFORMATION Insurance Coverage (Unaudited) Page 3 Of 5 For The Year Ended December 31, 2022

Schedule 4 (*Continued*)

Money and securities	COVERAGE VIII – Crime	\$8,346	Hartford Fire Insurance Company Hartford, CT 06115 Policy # 37FA0244006	07/01/23
	Covered perils: Public employee theft, forgery, or alteration, theft, disappearance, destruction, credit card forgery, and computer fraud each with separate policy limit as shown		\$3,000,000 Per Loss Employee Theft	
	<i>Deductible</i>		\$3,000,000 Depositors Forgery or Alteration (including Credit Card Forgery) \$3,000,000 Theft, Disappearance and Destruction \$3,000,000 Computer and Funds Transfer Fraud	
	<u>\$20,000. per occurrence</u> <u>per peril</u>			
Bodily injury by accident and disease;	COVERAGE IX – Workers' Compensation	\$504,941	Statutory	07/01/23
	COVERAGE A Workers' compensation applies to the workers' compensation laws for the State of Kansas. Coverage also included is for employers' liability, which applies to work in each state listed on the declaration page of the policy		Travelers Indemnity Company of America 485 Lexington Ave, New York, NY 10017 Policy # UB-4J995164-22	
	COVERAGE B Employers liability limits:			
	Bodily injury by accident (each accident)	\$500,000		
	Bodily injury by disease (policy limit)	\$500,000		
	Bodily injury by diseases (each employee)	\$500,000		
	No deductible			
Violation of any of the duties and responsibilities imposed upon fiduciaries by common or statutory laws including negligent acts, errors & omissions in administration	COVERAGE X - Fiduciary Claims-made policy form-that provides coverage for breach of fiduciary duty	\$16,914	RLI Insurance Company 9025 North Lindbergh Drive, Peoria, IL 61615 Policy # EPG0022806	07/01/23
	<i>Retention</i>			
	<u>\$25,000 each claim</u>			

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

ADDITIONAL SUPPLEMENTARY INFORMATION Insurance Coverage (Unaudited) Page 4 Of 5 For The Year Ended December 31, 2022

Schedule 4 (*Continued*)

	COVERAGE XII - Underground Storage Tank Liability Bodily injury and property damage caused by "accidental releases" arising from operating these underground storage tanks. Meets statutory compliance.	\$389	\$500,000 per incident \$1,000,000 annual aggregate \$100,000 defense-per incident	Great American Alliance Ins. Co. 301 East Fourth Street, Cincinnati, OH 45202 Policy # KST7731871-30	7/1/2023
	<i>Deductible</i> \$2,500 per incident				
	Retro date: 06/10/1991				
Boat Hull Policy	COVERAGE XIII - Marine Hull Policy Hull Coverage Deductible: \$500	\$726	\$15,935	Atlantic Specialty Insurance Company (OneBeacon) 605 Highway 169 North, Suite 800, Plymouth, MN 55441 Policy # B5JH41917	7/15/2022
Aviation (Drone) Policy	COVERAGE XIV - Drone Policy Aviation	\$2,388	\$1,000,000 each occurrence	American Alternative Insurance Corp. One Sylvan Way, Parsippany, NJ 07054 Policy # 9010462	07/01/23
Workplace Violence Policy	COVERAGE XV - Workplace Violence Policy Violence Coverage	\$1,058	\$1,000,000	Federal Insurance Company 251 North Illinois, Suite 1100, Indianapolis, IN 46204-1927 Policy # 8250-0085	07/01/23

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

ADDITIONAL SUPPLEMENTARY INFORMATION Insurance Coverage (Unaudited) Page 5 Of 5 For The Year Ended December 31, 2022

Schedule 4 (Continued)

Statutory Public Officials Bond for General Manager and	Public official bond: General Manager (Eric Arner)	\$1,750	\$500,000	Liberty Mutual #674219752	12/1/2023
Director of Finance	Director of Finance - Darin Kamradt	\$1,575	\$500,000	Liberty Mutual Ins. Co. #674027043	2/1/2023
Board Member	Jill R. Westra	\$355	\$10,000	Liberty Mutual Ins. Co. #674217352	1/1/2026
Board Member	Mark Parkins	\$355	\$10,000	Liberty Mutual Fire Ins. Co. #674025609	2/1/2024
Board Member	Kay Elizabeth Heley	\$355	\$10,000	Liberty Mutual Fire Ins. Co. #674207329	4/30/2026
Board Member	Robert Reese	\$355	\$10,000	Liberty Mutual Ins. Co. #32S110342	4/30/2025
Board Member	Melanie Kraft	\$355	\$10,000	Liberty Mutual Ins. Co. #674212502	1/13/2024
Board Member	Whitney Wilson	\$355	\$10,000	Liberty Mutual Ins. Co. #674212503	1/13/2024
Board Member	Ronald E. Appletoft	\$157	\$10,000	Liberty Mutual Ins. Co. #674215495	4/30/2026
Performance Bond	City of Leawood	\$125	\$5,000	Safeco Ins. Co. #5983959	2/8/2023
Right of Way Excavation Bond	City of Lenexa	\$100	\$10,000	Liberty Mutual Fire Ins. Co. #674010642	12/31/2022
Performance Bond	City of Mission Woods	\$100	\$10,000	Liberty Mutual Ins. Co. #674011858	5/7/2023
License & Permit Bond	City of Merriam	\$250	\$2,000	Liberty Mutual Ins. Co. #E7835050	7/5/2023
License & Permit Bond	City of Mission Hills	\$250	\$5,000	Liberty Mutual Ins. Co. #E7899810	8/15/2023
License & Permit Bond	City of Olathe	\$250	\$1,000	Liberty Mutual Ins. Co. #674019454	3/9/2024
License & Permit Bond	City of Roeland Park	\$250	\$1,000	Liberty Mutual Ins. Co. #E7835060	7/5/2023
License & Permit Bond	City of Shawnee	\$250	\$5,000	Safeco Ins. Co. #EX790410	11/8/2023
License & Permit Bond	City of Westwood	\$250	\$10,000	Safeco Ins. Co. #EX803026	3/12/2024
License & Permit Bond	Johnson County	\$250	\$5,000	Liberty Mutual Ins. Co. #E7312730	5/1/2023
License & Permit Bond	Miami County	\$250	\$50,000	Liberty Mutual Ins. Co. #674014712	1/9/2023
License & Permit Bond	State of Kansas	\$250	\$10,000	American States #EX7822710	5/29/2023
License & Permit Bond	City of Spring Hill	\$300	\$30,000	Liberty Mutual Ins. Co. #674213930	10/9/2023
Bond	Notary Public Errors and Omissions Group Policy \$25,000 Each Person Limit 12 Notaries - Total Limit	\$260	\$25,000	Western Surety Co. 101 South Reid Street, Sioux Falls, SD 57103 #68809375	01/04/23
	<u>Deductible</u>	\$0			

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

ADDITIONAL SUPPLEMENTARY INFORMATION

Fidelity Bonds In Force (Unaudited)

For The Year Ended December 31, 2022

Schedule 5

Water District No. 1 Of Johnson County, Kansas

Fidelity Bonds In Force (Unaudited)

Water District Board Members:

Kay E. Heley - Chair	\$ 10,000
Whitney Wilson - Vice Chair	10,000
Ronald E. Appletoft - Member	10,000
Melanie Kraft - Member	10,000
Mark Parkins - Member	10,000
Robert P. Reese - Member	10,000
Jill R. Westra - Member	10,000
Eric Arner - Acting General Manager	500,000
Darin Kamradt - Director of Finance	500,000
Public Employees' Blanket Bond	3,000,000

All employees are included under the blanket crime section of the comprehensive business policy listed herein.

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

ADDITIONAL SUPPLEMENTARY INFORMATION Operating Data (Unaudited) Page 1 Of 2 For The Years Ended 2022 And 2021

Schedule 6

Customers Served by WaterOne: During 2022, WaterOne served a weighted average of 152,636 customers, as compared to 151,082 customers during 2021; this is an increase of 1,554 customers in 2022, as compared to an increase of 1,338 customers in 2021.

Water Sales and Water Delivered Summary: Water sales by class of customer for the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
Residential:		
Single family	\$ 87,630,737	\$ 77,587,879
Multifamily	12,351,971	11,631,331
Commercial:		
Small	7,117,065	6,125,909
Large	28,091,908	24,430,696
Temporary	489,774	578,799
Wholesale	—	—
 Total water sales	 \$ 135,681,455	 \$ 120,354,614

During the year ended December 31, 2022, water sales and water delivered to the distribution lines, in terms of thousands of gallons, as compared to 2021, were as follows:

	2022	2021
Delivered to distribution system		
Water produced	23,617,359	21,874,417
 Water sales		
Metered water	20,655,363	19,188,019
Unmetered water	2,961,996	2,686,398
 Unmetered water as percentage of total water delivered	 12.54%	 12.28%

WATER DISTRICT NO. 1 OF JOHNSON COUNTY KANSAS

ADDITIONAL SUPPLEMENTARY INFORMATION Operating Data (Unaudited) Page 2 Of 2 Years Ended 2022 And 2021

Schedule 6 (*Continued*)

The weighted average number of customers served, the average annual revenue, and usage per customer were as follows:

	2022	2021
Residential - single family:		
Average number of customers	138,825	137,376
Average gallons per customer	91,281	85,581
Average revenue per customer	\$ 631	\$ 565
Residential - multifamily:		
Average number of customers	5,052	5,015
Average gallons per customer	423,094	411,803
Average revenue per customer	\$ 2,445	\$ 2,319
Commercial - small:		
Average number of customers	5,080	5,040
Average gallons per customer	203,089	187,399
Average revenue per customer	\$ 1,401	\$ 1,215
Commercial - large:		
Average number of customers	3,430	3,398
Average gallons per customer	1,391,835	1,284,380
Average revenue per customer	\$ 8,190	\$ 7,190
Commercial - temporary:		
Average number of customers	249	253
Average gallons per customer	161,349	226,284
Average revenue per customer	\$ 1,967	\$ 2,288
Wholesale:		
Number of customers	—	—
Thousand gallons per class	—	—
Revenue per class	\$ —	\$ —