

GMD2 ANNUAL REPORT 2023

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Income

EQUUS BEDS GROUNDWATER MANAGEMENT DISTRICT #2						
Unaudited Income						
January through December 2023						
						Jan - Dec 23
					Income	
					400 • Revenue	
					401 • County Land / Water Assessments	\$557,128.65
					409 • Water Meter Sales	\$10,674.65
					415 • Interest Earned	\$54,702.50
					421 • Reimbursements & Other	\$31,745.56
					Total 400 • Revenue	\$654,251.36
					Total Income	\$654,251.36

Expenditures

EQUUS BEDS GROUNDWATER MANAGEMENT DISTRICT #2				
Unaudited Expenditures				
January through December 2023				
				Jan - Dec 23
Expense				
500 · Personnel Expenditures				
501 + Salaries				\$307,553.78
504 · Payroll Tax Expense				\$23,052.37
505 · Health Insurance Benefits				\$34,360.61
509 · Employee Retirement				\$29,002.60
Total 500 · Personnel Expenditures				\$393,969.36
600 · Transportation Expenditures				
601 · Fuel				\$4,231.17
602 · Mileage Reimbursement				\$235.80
603 · Travel Meals				\$573.18
604 · Travel Lodging				\$2,204.27
605 · Vehicle Insurance and Fees				\$1,894.25
607 · Vehicle Maintenance				\$376.50
Total 600 · Transportation Expenditures				\$9,515.17
700 · Administrative Expenditures				
701 · Office Maintenance				\$3,416.43
702 · Utilities				\$3,429.56
703 · Office Supplies				\$2,747.13
704 · Office Equipment & Maintenance				\$595.46
705 · Publications				\$931.67
706 · Printing				\$1,007.50
707 · Memberships & Conference Fees				\$3,247.27
708 · Insurance - Office				\$6,378.00
710 · Insurance - Prof Liability				\$1,027.00
711 · Legal Fees				\$21,227.50
712 · Other Professional Fees				\$32,395.00
713 · Postage				\$2,479.55
714 · Miscellaneous				\$266.95
715 · Digital Imaging System				\$1,825.50
716 · KS Unemployment				\$95.20
717 · Insurance - Workers Comp				\$1,179.00
718 · Computer				\$8,778.50
719 · Telephone Service				\$5,254.04
Total 700 · Administrative Expenditures				\$96,281.26
800 · District Project Expenditures				
804 · Water Quality Monitoring				\$29,500.06
808 · Water Meter Service				\$33,668.49
809 · Water Meter Purchases				\$10,466.40
811 · Groundwater Level Monitoring				\$394.15
813 · Abandoned / Inactive wells				\$268.41
814 · Automated Data Collection				\$6,862.91
Total 800 · District Project Expenditures				\$81,160.42
Total Expense				\$580,926.21

Assets

EQUUS BEDS GROUNDWATER MANAGEMENT DISTRICT #2					
Unaudited Assets - Estimated Value					
As of December 31, 2023					
				Assets	
				Office Building and Contents	\$150,000.00
				2021 Ford F-150	\$26,000.00
				Weather Stations (7)	\$35,000.00
				Field Equipment	\$10,000.00
				Total Assets	\$221,000.00

Audit

The 2023 financial audit is currently being conducted by the district's independent auditor and will not be finalized and available until February/March 2024. The 2022 audit is included as Attachment A.

2024 ADOPTED BUDGET

The 2024 Adopted Budget and corresponding Financial Statement are provided below.

Equus Beds Groundwater Management District No. 2 Adopted FY 2024 Budget

		ADOPTED FY 2023	ADOPTED FY 2024
CODE	DESCRIPTION		
500	Salaries and Benefits		
501+	Salaries	\$290,079	\$305,271
504	Social Security/Medicare	\$22,191	\$23,353
505	Health Insurance	\$30,000	\$35,000
506	Employment Withholding Taxes	\$0	\$0
509	Employee Retirement	\$31,909	\$33,580
511	Educational Assistance	\$0	\$0
	Subtotal	\$374,179	\$397,204
600	Transportation		
601	Fuel	\$5,000	\$5,000
602	Mileage and Toll fees	\$1,000	\$1,000
603	Meals	\$1,000	\$1,000
604	Lodging	\$4,000	\$4,000
605	Vehicle Insurance & Fees	\$3,000	\$3,000
606	Vehicle Appropriation	\$0	\$0
607	Vehicle Maintenance	\$1,500	\$1,500
	Subtotal	\$15,500	\$15,500
700	Administration		
701	Office Maintenance	\$20,000	\$20,000
702	Utilities	\$4,000	\$4,000
703	Office Supplies	\$4,500	\$4,500
704	Office Equipment & Maint.	\$500	\$500
705	Publications	\$1,500	\$1,500
706	Printing	\$3,000	\$10,000
707	Membership & Conferences	\$5,000	\$5,000
708	Insurance - Office	\$7,500	\$7,500
710	Insurance - Prof. Liability	\$1,500	\$1,500
711	Legal Services	\$150,000	\$100,000
712	Professional Services	\$50,000	\$75,000
713	Postage	\$4,000	\$4,000
714	Miscellaneous	\$1,000	\$1,000
715	Digital Imaging System	\$6,000	\$6,000
716	Insurance - Unemployment	\$1,000	\$1,000
717	Insurance - Worker's Comp.	\$1,500	\$1,500
718	Computer	\$10,000	\$10,000
719	Communication Service	\$4,000	\$5,000
720	Laboratory	\$100	\$100
722	Budgeted Reserve	\$30,000	\$30,000
	Subtotal	\$305,100	\$288,100
800	Projects & Programs		
804	Water Quality Monitoring	\$15,000	\$10,000
806	Recharge/Alternate Source	\$0	\$0
808	Water Meter Service	\$30,000	\$30,000
809	Water Meter Sales	\$15,000	\$15,000
810	Groundwater Cleanup	\$0	\$0
811	Water Level Monitoring	\$1,000	\$1,000
812	Information and Education	\$500	\$500
813	Abandoned / Inactive Wells	\$1,000	\$1,000
814	Automated Data Collection	\$20,000	\$20,000
815	ASR Project (Grant Funds)	\$30,000	\$30,000
816	District Modeling	\$10,000	\$10,000
	Subtotal	\$122,500	\$117,500
	TOTAL	\$817,279	\$818,304

**EQUUS BEDS GROUNDWATER MANAGEMENT DISTRICT NO. 2
ADOPTED FY 2024 FINANCIAL STATEMENT**

	<i>FY 2023</i>	<i>FY 2024</i>
	<i>Adopted (1)</i>	<i>Adopted (1)</i>
Fund Balance JAN 1	\$560,168	\$633,211
Fund Balance Actual	\$846,959	
REVENUES		
Assessments	\$558,031	\$634,200
Interest	\$500	\$3,000
Grant	\$0	\$0
Reimbursements	\$45,000	\$45,000
Carry-over Funds	\$213,748	\$136,104
Encumbrance	\$0	\$0
REVENUE TOTAL	\$817,279	\$818,304
FUND TOTAL	\$1,163,699	\$1,315,411
Fund Total PROJECTED	\$1,450,490	
EXPENDITURES		
Salaries and Benefits	\$374,179	\$397,204
Transportation	\$15,500	\$15,500
Administration	\$305,100	\$288,100
Projects	\$122,500	\$117,500
Grant	\$0	\$0
TOTAL	\$817,279	\$818,304
Fund Balance DEC 31	\$346,420	\$497,107
Fund Balance Projected	\$633,211	
ASSESSMENT BASE		
Land (acres)	875,596	875,550
Water (af)	342,834	369,014
ASSESSMENT RATE		
Land (per acre)	\$0.05	\$0.05
Water (per af)	\$1.50	\$1.60

(1) Estimated fund balance and land and water assessment bases

ACTIVITIES

Description of Activities

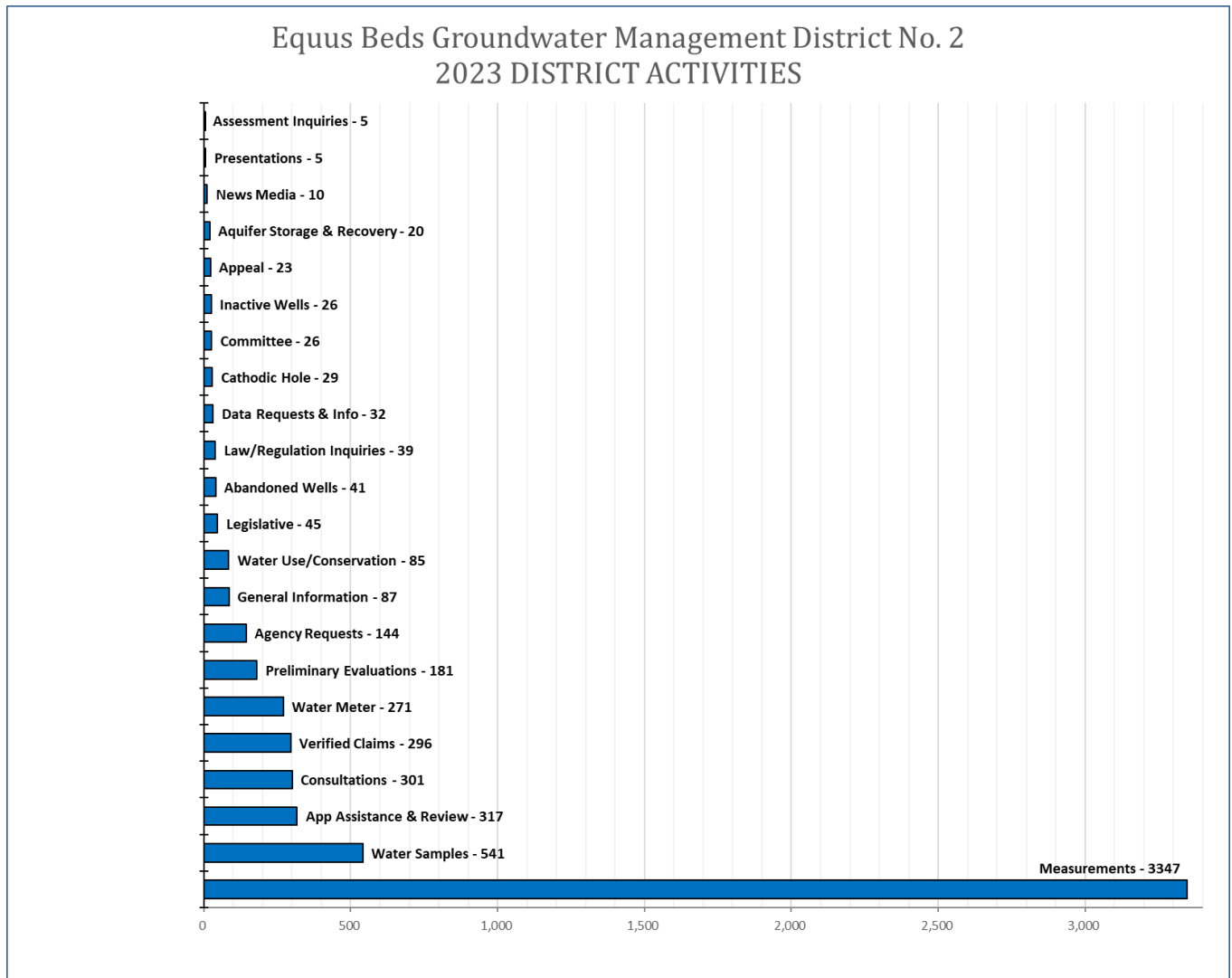
GMD2 tracks groundwater management and protection activities, as well as customer service requests and activities. Major activities include (number of activities/requests in 2023 indicated):

- Data collection
 - Water Level Measurements: 3,347
 - Water Quality Samples Collected: 541
- Water permit consultations: 301
- Safe yield evaluations: 181
- Water Permit application assistance and review: 317
- Water meters, including inspection, repairs, and sales: 271
- Abandoned well inspections and plugging assistance: 41
- Inactive well inspections: 26
- Cathodic protection borehole permitting and inspections: 29
- Information and education: 284

Major highlights in 2023 include:

- Sampling the entire GMD2 owned monitoring well network (~450 wells).
- Partnering with KCC to install 25 new/replacement monitoring wells in the Burrton IGUCA area.
- Finalizing review of recharge rates and safe yield calculations in McPherson County and portions of Harvey and Reno County.
- Working on updating the GMD2 Management Program.
- Assisted water right owners during extreme drought to avoid over-pumping or file Multi-Year Flex Account (MYFA) applications.

A graph showing many of the GMD2 activities in 2023 is below.



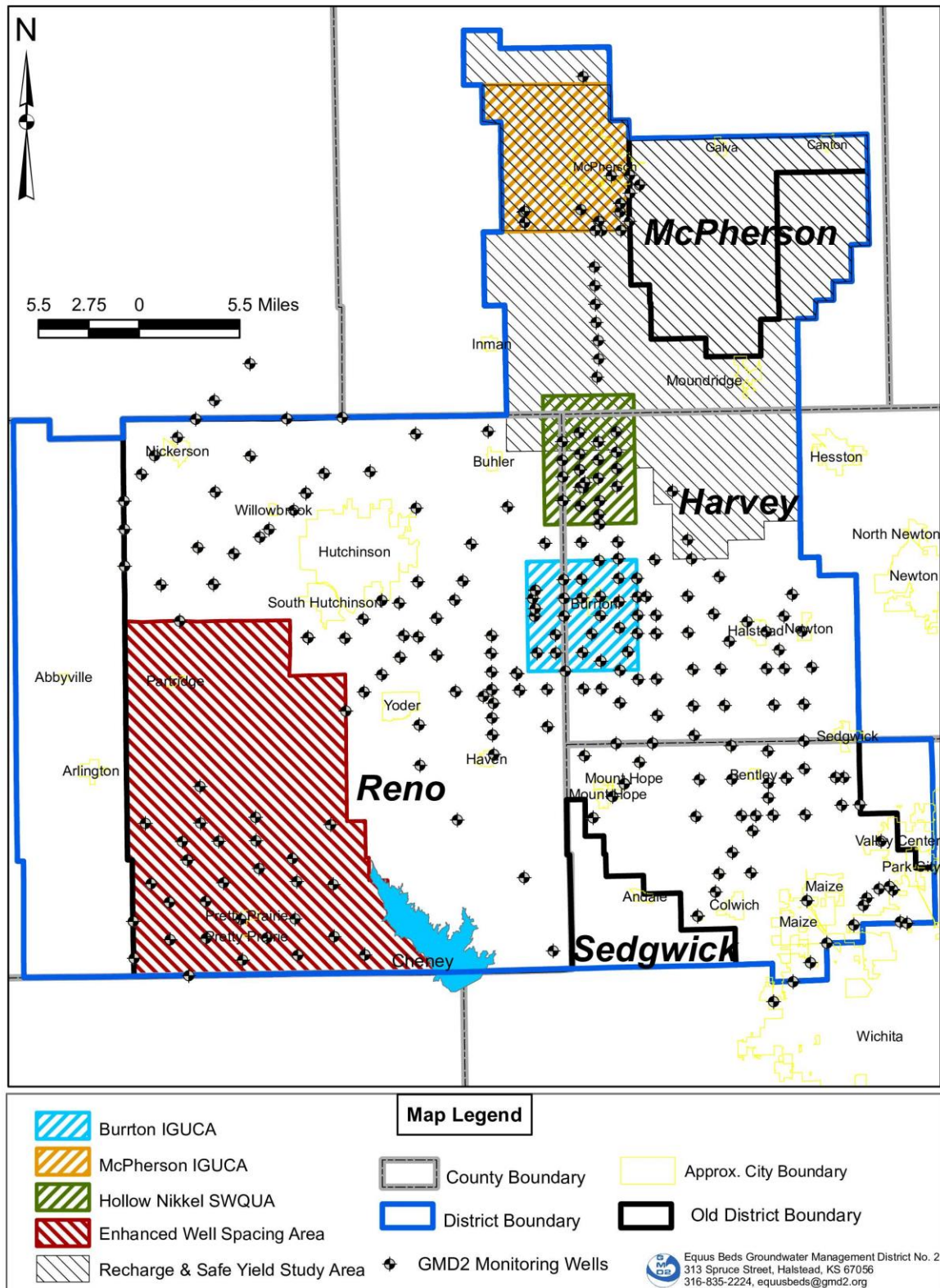
How Expenditures Conserve and Reduce Consumptive Use of Water

GMD2 has been proactive and remains active in establishing regulations, programs, and special management areas to properly manage the Equus Beds Aquifer. The district was one of the first areas in the state to establish safe yield criteria in 1980 for reviewing new water permit applications. Additionally, at the request of the GMD2 Board, the McPherson Intensive Groundwater Control Area (IGUCA) was established in 1980 to address declining groundwater levels in a portion of McPherson County. Two water quality areas were also established in the 1980s to deal with oil field saltwater contamination – the Burrton IGUCA and the Hollow-Nikkel Special Water Quality Use Area. More recently, a special management area was also established in a portion of Reno County to reduce impairment risks by requiring new non-domestic wells to be spaced farther away from existing wells, and later the safe yield calculation recharge rates were reduced to help ensure the area was not over-appropriated. The only active aquifer recharge project in Kansas is located in the district. In 2023, GMD2 continued actively reviewing and managing the established special management areas and completed review and modification of the GMD2 recharge rates and safe yield calculations in parts of the district.

Recent studies by the Kansas Geological Survey, including the “2023 Status of the High Plains Aquifer in Kansas” (Technical Series 25 – November 2023) indicates that groundwater use in GMD2 is at or near sustainable levels, with some areas, such as a portion of McPherson County, showing slight groundwater level declines. GMD2 has an extensive monitoring well network and conducts approximately 3,000 water-level measurements per year (3,347 in 2023). The data is used to evaluate water level changes and trends. Data collection and review is ongoing to determine if any additional special management areas are needed or if additional corrective control provisions are needed in any of the established areas. The district’s 2023 expenditures all relate to proper management of the aquifer, including conservation and reduced consumptive use where needed.

Map Showing GMD2 Special Management Areas & Monitoring Wells

Equus Beds Groundwater Management District No. 2 Special Management Areas



Prevention of Economic Deterioration & Stabilization of Agriculture

The Equus Beds Aquifer is the sole source of fresh and usable groundwater for industrial, municipal, and irrigation uses throughout South Central Kansas. Over 2,000 permitted water wells and points of diversion withdraw an average of approximately 177,077 acre-feet (57.7 billion gallons) of groundwater from the aquifer annually.

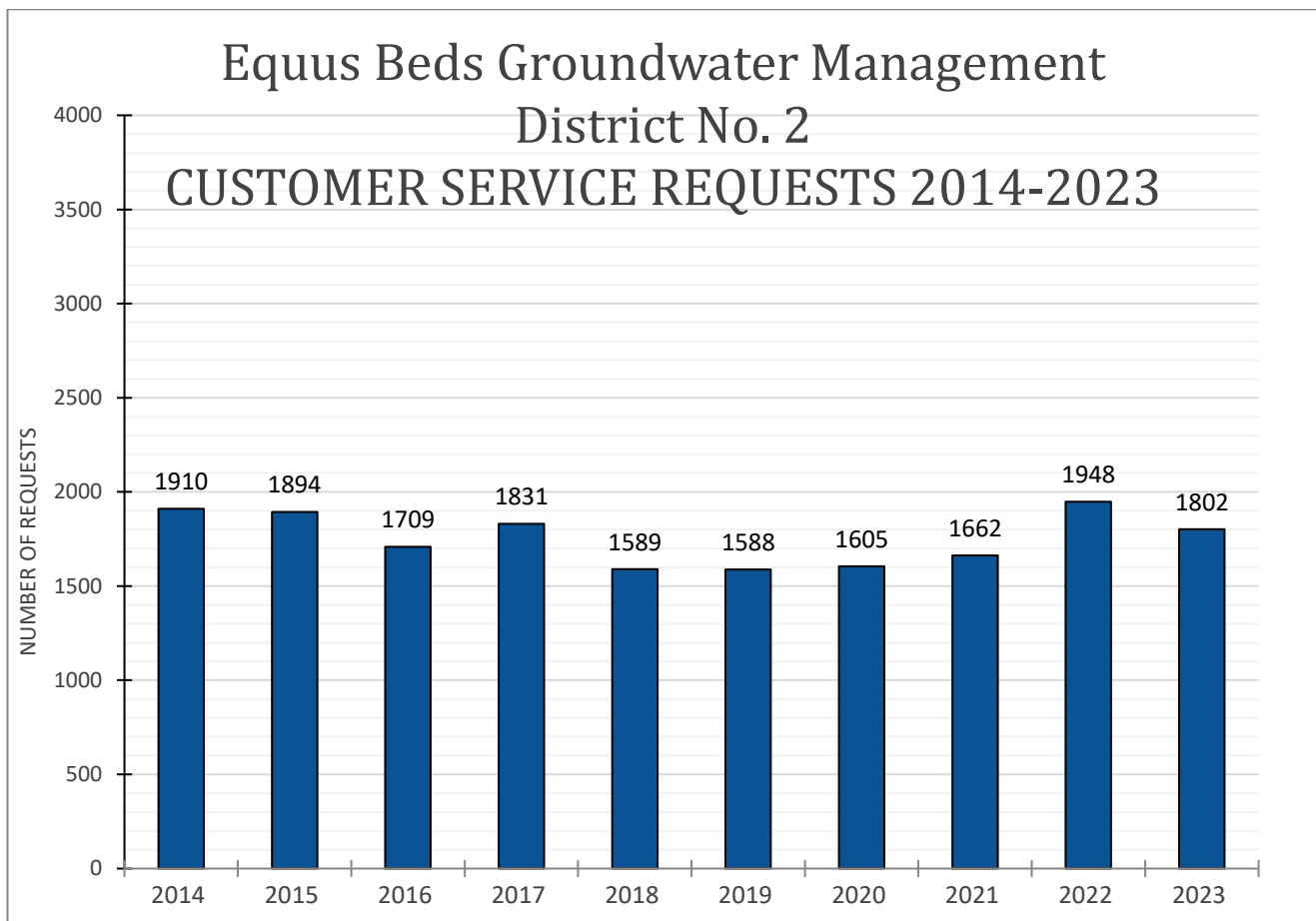
Over 550,000 people, or approximately 20 percent of the entire state's population, in Harvey, Sedgwick, McPherson and Reno counties rely on the aquifer for drinking water and other daily needs. Additionally, over 100,000 acres are irrigated using groundwater from the Equus Beds aquifer. The aquifer also supplies water for the area's livestock production, businesses, industries, and recreational activities. To manage and protect this valuable water resource from depletion and contamination, GMD2 was created in 1975 by local people representing municipal, agricultural, industrial, and domestic water users. An aquifer management program was developed and adopted by the GMD2 Board of Directors. The GMD2 boundaries were expanded in 1988, and again in 2017. GMD2 limits new groundwater withdrawals or diversions to annual recharge and seeks to maintain the natural water quality of the aquifer through protection and remediation.

To prevent economic deterioration and assist in the stabilization of agriculture in the GMD2 area, a sustainable supply of clean, useable groundwater is of utmost importance. GMD2 has several established on-going programs to accomplish the district's goal of maintaining the aquifer's quantity and quality. These include the special management areas described above, an extensive monitoring well network to measure groundwater levels and monitor water quality, an abandoned well program to ensure wells are properly plugged, an inactive well program to ensure inactive wells are properly constructed and sealed, and a water meter program that includes inspections, installation technical assistance, repairs, and sales to ensure groundwater withdrawals are accurately measured and reported.

Other Activities from Management Program

A major function of the district is to provide information, education, and assistance to the district's water users, the public, and local, state, and federal agencies. Although not directly discussed, but mentioned, in previous sections of this report, the district's customer service and information/education programs touch all the district's groundwater management and protection programs. Additionally, the district actively administers water rights, including assistance and review of water permit applications and water right consultations. Through information, education, assistance, and water rights administration and consultation, the district assists water users and others in maintaining the aquifer's quantity and quality.

Customer service requests for 2014 - 2023 are shown below.



ATTACHMENT A

GMD2 2022 Financial Audit

EQUUS BEDS GROUNDWATER MANAGEMENT
DISTRICT NO. 2

HALSTEAD, KANSAS

Financial Statement

For the Year Ended December 31, 2022

Equus Beds Groundwater Management District No. 2

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For the Year Ended December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Equus Beds Groundwater Management District No. 2
Halstead, Kansas

Adverse and Unmodified Opinions

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (financial statement) of Equus Beds Groundwater Management District No. 2, Halstead, Kansas (District), as of and for the year ended December 31, 2022, and the related disclosures to the financial statement.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2022, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the District as of December 31, 2022, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the *Kansas Municipal Audit and Accounting Guide*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the financial statement is prepared by the District on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is 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 statement.

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 statement, 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 statement.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 2022 fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures—actual and budget and schedule of regulatory basis receipts and expenditures—actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the 2022 basic financial statement, but are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2022 basic financial statement. The 2022 information has been subjected to the auditing procedures applied in the audit of the 2022 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2022 basic financial statement or to the 2022 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the 2022 basic financial statement as a whole, on the basis of accounting described in Note 1.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the District as of and for the year ended December 31, 2021 (not presented herein), and have issued our report thereon dated March 1, 2022, which contained an unmodified opinion on the basic financial statement. The 2021 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <https://admin.ks.gov/offices/accounts-reports/local-government/municipal-services>. The 2021 actual column (2021 comparative information) presented in the individual fund schedule of regulatory basis receipts and expenditures—actual and budget for the year ended December 31, 2022 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the 2022 basic financial statement. Such 2021 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2021 basic financial statement. The 2021 comparative information was subjected to the auditing procedures applied in the audit of the 2021 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2021 basic financial statement or to the 2021 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2021 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2021, on the basis of accounting described in Note 1.

Knudsen, Monroe & Company, LLC

Certified Public Accountants

Newton, Kansas

March 20, 2023

Equus Beds Groundwater Management District No. 2

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
Regulatory Basis

For the Year Ended December 31, 2022

<u>Fund</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
General	\$ 727,934	635,999	516,974	846,959	17,232	864,191

Composition of Cash:

The Halstead Bank:

Checking

\$ 864,191

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

Equus Beds Groundwater Management District No. 2

NOTES TO FINANCIAL STATEMENT

December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Municipal Financial Reporting Entity

The Equus Beds Groundwater Management District No. 2 (District) was formed in 1974 as authorized by K.S.A. 82a-1020, et seq., to promote conservation and local management of the groundwater reserves found in the Equus Beds aquifer. The Equus Beds aquifer is located in south-central Kansas in an approximately 1,400-square-mile area within Harvey, Sedgwick, McPherson, and Reno counties.

The District is a local government entity primarily funded through property assessments and governed by a locally elected board of directors.

Regulatory Basis Fund Type

General Fund – used to account for all resources except those required to be accounted for in another fund.

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The *Kansas Municipal Audit and Accounting Guide* (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the District to use the regulatory basis of accounting.

Budgetary Information

Kansas statutes require that before any assessment is made, or user charge imposed, the Board shall submit the proposed budget for the ensuing year to the eligible voters of the District at a hearing called for that purpose by one publication in a newspaper or newspapers of general circulation within the District at least 28 days prior to the meeting. Following the hearing, the Board shall, by resolution, adopt either the proposed budget or a modified budget and determine the amount of land assessment or user charge, or both, needed to support such budget.

The Board can increase the originally adopted budget for previously unbudgeted increases in revenue. There were no budget amendments for the year ended December 31, 2022.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. A budget comparison schedule is presented for the general fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

NOTES TO FINANCIAL STATEMENT

December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The legal annual operating budget is prepared using the regulatory basis of accounting, in which regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for the prior year's accounts payable and encumbrances. Encumbrances are commitments by the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Kansas Statutes

Management is not aware of any statutory violation incurred during the year ended December 31, 2022.

3. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2022.

At December 31, 2022, the carrying amount of the District's deposits was \$864,191 and the bank balance was \$873,775. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining \$623,775 was collateralized with securities held by the pledging financial institution's agents in the District's name.

NOTES TO FINANCIAL STATEMENT

December 31, 2022

4. DEFINED BENEFIT PENSION PLAN

Plan Description

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

Contributions

K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate, with a 0% moratorium for the period January 1 through June 30, 2022, for the Death and Disability Program) and the statutory contribution rate was 8.90% for the fiscal year ended December 31, 2022. Contributions to the pension plan from the District were \$26,198 for the year ended December 31, 2022.

Net Pension Liability

At December 31, 2022, the District's proportionate share of the collective net pension liability reported by KPERS was \$264,489. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021, which was rolled forward to June 30, 2022. The District's proportion of the net pension liability was based on the ratio of the District's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at www.kpers.org or can be obtained as described above.

NOTES TO FINANCIAL STATEMENT

December 31, 2022

5. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Death and Disability Other Post-Employment Benefits

As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended December, 2022, with a 0% moratorium for the period January 1 through June 30, 2022.

Other Employee Benefits

All employees earn 10 days of paid time off (PTO) per year for the first three years of employment; 15 days after three years of employment; 20 days after six years of employment; 25 days after 12 years of employment; 30 days after 18 years of employment; and 35 days after 24 years of employment. The maximum carryover is two-times their applicable annual accrual. Unused PTO is paid to employees upon termination. Unused PTO, with an estimated cost of \$38,268, has not been recorded as a liability in the accompanying financial statement.

6. RISK MANAGEMENT

The District is exposed to various risks of loss relating to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District obtains coverage from commercial insurance companies in order to effectively manage risk. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

During the ordinary course of its operations, the District is a party to potential claims, legal actions and complaints. It is the opinion of the District's management and legal counsel that these matters are not anticipated to have a material financial effect on the District's financial statement.

7. MANAGEMENT'S DATE OF REVIEW

Management has performed an analysis of the activities and transactions subsequent to December 31, 2022, to determine the need for any adjustments to and/or disclosures within the audited financial statement. Management has performed their analysis through March 20, 2023, which is the date at which the financial statement was available to be issued.

EQUUS BEDS GROUNDWATER MANAGEMENT DISTRICT NO. 2

REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2022

Equus Beds Groundwater Management District No. 2

SUMMARY OF EXPENDITURES – ACTUAL AND BUDGET
Regulatory Basis

For the Year Ended December 31, 2022

<u>Fund</u>	<u>Certified Budget</u>	<u>Adjustments for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
General Fund	<u>\$ 804,427</u>	<u>-</u>	<u>804,427</u>	<u>516,974</u>	<u>(287,453)</u>

Equus Beds Groundwater Management District No. 2

General FundSCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET
Regulatory BasisFor the Year Ended December 31, 2022
(With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

		Current Year		
	Prior Year			Variance -
	Actual	Actual	Budget	Over
				(Under)
Receipts				
Water user fees and assessments	\$ 704,441	585,653	586,661	(1,008)
Sales, service fees and other	30,546	30,870	47,000	(16,130)
Interest	384	19,476	3,000	16,476
Total receipts	<u>735,371</u>	<u>635,999</u>	<u>636,661</u>	<u>(662)</u>
Expenditures				
Salaries and benefits	280,049	368,797	359,827	8,970
Transportation	12,030	7,641	14,000	(6,359)
Administration	173,944	108,382	308,100	(199,718)
Water management projects	<u>48,081</u>	<u>32,154</u>	<u>122,500</u>	<u>(90,346)</u>
Total expenditures	<u>514,104</u>	<u>516,974</u>	<u>804,427</u>	<u>(287,453)</u>
Receipts over (under) expenditures	221,267	119,025		
Unencumbered cash, Beginning	<u>506,667</u>	<u>727,934</u>		
Unencumbered cash, Ending	<u>\$ 727,934</u>	<u>846,959</u>		