RURAL WATER DISTRICT #4, INC.
BOURBON COUNTY, KANSAS

Regulatory Basis Financial Statement,
Independent Auditors' Report, and
Regulatory-Required Supplementary Information
and Federal Compliance Section
For the Year Ended December 31, 2023

RURAL WATER DISTRICT #4, INC.
BOURBON COUNTY, KANSAS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and management
Rural Water District #4, Inc.
Bourbon County, Kansas

Adverse and Unmodified Opinions
We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Rural Water District #4, Inc., Bourbon County, Kansas (the District), as of and for the fiscal year ended December 31, 2023 and the related notes 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, 2023, or changes in financial position and cash flows thereof for the fiscal 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, 2023, and the aggregate receipts and expenditures for the fiscal 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 fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The schedule of receipts and expenditures - actual - regulatory basis (Schedule 1 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statement. 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 basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the 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 basic financial statement or to the 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 and schedule of expenditures of federal awards are fairly stated in all material respects, in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Prior Year Comparative Numbers

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, 2022 (not presented herein), and have issued our report thereon dated January 19, 2023, which contained an unmodified opinion on the basic financial statement. The 2022 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 2022 actual column (2022 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget for the year ended December 31, 2023 (Schedule 1 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2022 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 2022 basic financial statement. The 2022 comparative information was 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 2022 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended , 2022, on the basis of accounting described in Note 1.

Diehl, Banwart, Bolton CPAs PA

DIEHL, BANWART, BOLTON, CPAs PA

February 3, 2024
Fort Scott, Kansas

RURAL WATER DISTRICT #4, INC.
BOURBON COUNTY, KANSAS
Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2023

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
Business Fund:						
Water Utility	$ 921,391.52	$ 2,395,192.68	$ 2,558,354.13	$ 758,230.07	$ 19,620.38	$ 777,850.45

Composition of Cash:	Cash in bank - operating checking account	$ 565,981.41
	Cash in bank - construction account	1,869.04
	Cash in bank - principal and interest reserve account	35,000.00
	Certificate of Deposit -	175,000.00
	Totals	$ 777,850.45

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

RURAL WATER DISTRICT #4, INC.
BOURBON COUNTY, KANSAS

Notes to Financial Statement
For the Year Ended December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement of Rural Water District, #4, Inc., Bourbon County, Kansas has been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Kansas Municipal Audit and Accounting Guide (KMMAG), as approved by the director of the Kansas Division of Accounts and Reports, establishes the guidelines for the regulatory basis of accounting in the state of Kansas. The more significant of the District's accounting policies follow.

Nature of Organization: Rural Water District, #4, Inc., Bourbon County, Kansas is a municipal corporation governed by an elected five-member board of directors. The District provides water to members of the District primarily in rural Bourbon County, Kansas. In previous years, the District purchased its water from the cities of Moran and Bronson, Kansas. The District completed an extensive capital project in 1998, which involved the building of a small lake and treatment plant for the purpose of treating raw water and selling water to its patrons as well as to other local governmental entities. The District began pumping and selling its own water in June 1998. All water sales are made to residents and two water suppliers in the area of the District. Accordingly, the District's operations are dependent upon the economic conditions of the area.

Reporting Entity
This financial statement presents Rural Water District, #4, Inc., Bourbon County, Kansas (primary government). There are no related municipal entities which should be accounted for in the District's financial statement.

Basis of Presentation - Fund Accounting
A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restriction, or limitations.

The following types of funds comprise the financial activities of Rural Water District, #4, Inc., Bourbon County, Kansas:

Business fund – funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service fund, etc.).

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The 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 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 do not require budgets for rural water districts.

Deposits and Investments
Deposits and investments include a money market checking account, a savings account, and certificates of deposit. Kansas statutes permit investment in checking accounts, savings accounts, certificates of deposit, and, in certain cases, obligations of the U.S. Treasury.

Compensated Absences
The District does not provide sick or vacation benefits.

Income Taxes: Rural Water District, #4, Inc., Bourbon County, Kansas is recognized by the Internal Revenue Service as a not-for-profit municipality corporation, and is exempt from Federal and State income taxes. Accordingly, this financial statement does not include a provision for income taxes.

Termination and Post Employment Benefits
The District does not offer termination or post employment benefits.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Kansas Statutes
This financial statement has been prepared in order to show compliance with the cash basis laws and Statutes of the State of Kansas. The District was in apparent compliance with the cash basis laws and Statutes of the State of Kansas.

3. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statue 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, but has limited the investments to time deposits at local banks.

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, except during designated "peak periods" when required coverage is 50%. The District does not have any "peak periods" designated. All deposits were legally secured at December 31, 2023.

At December 31, 2023 the District's carrying amount of deposits was $777,850.45 and the bank balance was $777,850.45. The bank balances were held by two banks resulting in a concentration of credit risk. Of the bank balance, $251,869.04 was covered by federal depository insurance, and the remaining $525,981.41 was collateralized with securities totaling $1,111,185.82 held by the pledging financial institutions' agents in the District's name.

4. BENEFIT UNIT DEPOSITS

Customers of the District are required to pay a deposit for a benefit unit prior to connecting to a rural water line. Net new benefit unit deposits totaled $19,750.00 for the year, which was comprised of eighteen new benefit unit deposits totaling $18,000.00, five rental benefit units totaling $2,750.00, and two rental benefit unit refunds totaling $1,000.00.

5. RISK MANAGEMENT

The water district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The water district manages these risks of loss through various commercial insurance policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

6. FIXED ASSETS

As discussed in Note 1, regulatory basis financial statements do not record property, plant and equipment as assets of the District. In addition, depreciation expense in the assets is not recorded. However, the District does keep track of fixed assets and the depreciation thereon for internal monitoring.

In connection with Fixed Asset accounting, plant and equipment are capitalized at cost and are depreciated on the straight-line method over the estimated useful life of the assets as follows:

Office Equipment and Vehicles	5 Years
Machinery	7 Years
Plant and Equipment	40 & 50 Years

Maintenance and repairs are charged to expense as incurred. Major renewals and improvements are capitalized.

Fixed assets and accumulated depreciation changed for the year as follows:

Fixed Asset	Beginning Balance	Additions	Deletion	Ending Balance
Land	$ 39,109.47	$ -	$ -	$ 39,109.47
Machinery & Construction	3,834,946.98	1,995,355.52	-	5,830,302.50
Engineering Fees	832,067.19	107,900.00	-	939,967.19
Legal & Title Work	157,114.46	-	-	157,114.46
Inspection Fees	95,356.43	-	-	95,356.43
Easement & Leases	548,835.55	1,009.28	-	549,844.83
Machinery & Equipment	204,016.12	-	-	204,016.12
Bond Underwriting Fee	71,934.76	-	-	71,934.76
Grant Administration Costs	13,000.00	-	-	13,000.00
	5,796,380.96	2,104,264.80	-	7,900,645.76
Office Equipment	8,343.06	-	-	8,343.06
	$ 5,804,724.02	$ 2,104,264.80	$ -	$ 7,908,988.82
Accumulated Depreciation	$ 2,660,788.29	$ 146,960.31	$ -	$ 2,807,748.60

7. LONG TERM OBLIGATIONS

Long-term obligations of the District are comprised of the following:

	December 31, 2023
Bonds Payable:	
Water-Utility System Revenue Bonds, Series 2016, payable in annual principal payments of $75,000 to $100,000, plus interest at 0.50% to 2.75%. The first payment of principal was due in September 2016, with final payment scheduled for 2025. The bonds are secured by a lien on all revenue from the water system.	$ 200,000.00

7. LONG TERM OBLIGATIONS (Continued)

	December 31, 2023
Notes Payable:	
Interim Line of Credit, note payable totaling $2,900,000 of which $2,427,972.16 has been drawn as of December 31, 2023. The note requires interest only payments at 5.98% until the project discussed in Footnote 12 is completed. The note matures on March 31, 2024.	2,427,972.16
	$ 2,627,972.16

Changes in long-term liabilities for the Entity for year ended December 31, 2023 were as follows:

Issue	Balances Beginning of Year	Additions/ New Debt	Reductions/ Principal Paid	Balances End of Year	Interest Paid
Notes Payable CNB	$ 501,000.00	$ 1,926,972.16	$ -	$ 2,427,972.16	$ 81,663.41
Revenue Bonds					
Water Utility Series 2016	$ 295,000.00	$ -	$ 95,000.00	$ 200,000.00	$ 7,775.00
Total Long Term Debt	$ 796,000.00	$ 1,926,972.16	$ 95,000.00	$ 2,627,972.16	$ 89,438.41

Current maturities of long-term debt and interest for the next five years for the bond payable are as follows:

December 31,	PRINCIPAL	INTEREST	TOTAL
2024	100,000.00	5,400.00	105,400.00
2025	100,000.00	2,750.00	102,750.00
	$ 200,000.00	$ 8,150.00	$ 208,150.00

8. CONTRACT PAYABLE

The District entered into an agreement with the Kansas Water Office (KWO) to purchase water rights and associated storage space at Xenia Lake. The KWO agreed to sell 46.24% of its interest in water rights and storage space to the District, increasing the Districts interests to 52.69%. The District agreed to pay the KWO $175,000, plus $19,376.30 annually plus interest at a variable interest rate for 15 years to pay for the remaining amount due of $290,644.45. Final payment is due in 2033. The current variable rate is 0.334%. Future contract payments using the current variable rate is as follows:

8. CONTRACT PAYABLE (Continued)

December 31,	PRINCIPAL	INTEREST	TOTAL
2024	18,139.41	3,024.22	21,163.63
2025	18,421.28	2,742.34	21,163.62
2026	18,707.53	2,456.09	21,163.62
2027	18,998.23	2,165.39	21,163.62
2028	19,293.45	1,870.17	21,163.62
2029	19,593.25	1,570.37	21,163.62
2030	19,897.72	1,265.91	21,163.63
2031	20,206.91	956.71	21,163.62
2032	20,520.91	642.71	21,163.62
2033	20,839.79	323.83	21,163.62
	$ 194,618.48	$ 17,017.74	$ 211,636.22

9. COMPLIANCE WITH BOND COVENANTS

The District's Water System Revenue Bonds, Series 2016, contain the following covenants:

a. There shall be transferred to the principal and interest account a prorata portion of the amount necessary to pay the next scheduled debt service payment. In addition a contingency reserve balance of $91,000.00 shall be maintained.

b. The District shall charge fees sufficient to pay the cost of operations, maintenance, improvements and debt service as well as maintain reserves. Net revenues must be at least 120% of the year's debt service requirement. For the year ended December 31, 2023, net revenues totaled $221,856.38, or 210% of the next year's debt service requirement of $105,400.00.

c. The District served approximately 580 units on January 1, 2023 and 609 units on December 31, 2023.

As of December 31, 2023, the required and actual reserve balances were as follows:

	REQUIRED	ACTUAL
Principal and Interest	$ 34,809.00	$ 35,000.00
Contingency Reserve	91,000.00	91,000.00

10. ECONOMIC DEPENDENCY

Water sales to the City of Bronson, Kansas and Consolidated Rural Water District #2 of Bourbon County, totaled $67,999.28 or approximately 25% of total water sales for the year ended December 31, 2023.

11. LONG-TERM COMMITTMENTS

On December 20, 2000, the District entered into a 10 year water sales contract with Bourbon Co. Consolidated RWD #2. Bourbon Co. Consolidated RWD #2 is contractually obligated to purchase 50,000 gallons of water each month or 600,000 gallons of water annually from the District. Although this contract has expired, the District and Bourbon Co. Consolidated RWD #2 continue to operate under this contract and are currently working on a new contract.

On February 3, 1993, the District entered into a 40 year water sales contract with the City of Bronson, Kansas. The City of Bronson, Kansas is contractually obligated to purchase no more than 21,000,000 gallons of water each month from the District. On December 22, 1995, the contract was amended to provide that the City agrees to purchase 100% of its water from the District, and the term of the contract was changed from 40 years to a five year period with seven five year options or extensions under the terms thereof. On October 30, 2012, the contract was amended again to change the term back to 40 years.

12. WATER PLANT PROJECT

On September 16, 2020, the District signed an agreement with the USDA Rural Development to borrow $2,234,000 to fund Water plant improvements. On June 28, 2022, USDA Rural Development added an additional $900,000 to the loan. The plant improvements will require a local contribution of $488,000, resulting in a total projected project cost of $3,622,000. The note will require annual payments of principal and interest at 1.125% and will mature 40 years after funding. The project began in 2022 and should be completed in 2024.

The District has signed an agreement with a local bank to borrow $2,900,000 as interim financing for the project. The note is for two years and requires quarterly interest payments of 4.35%. The note was amended to change the maturity date to March 31, 2024, with monthly interest payments being made at 5.98%. The principal will be paid at maturity with the proceeds of the USDA Rural Development Note. The project is anticipated to be completed in 2024.

Project Funds:	
Loan	$ 2,234,000
Local Match	488,000
Loan - Subsequent	900,000
Total Project Funds	**$ 3,622,000**
Project Costs:	
Construction	$ 2,389,397
Engineering	302,100
Refinancing & Interest	86,588
Legal Fees	820
Total Project Costs	**$ 2,778,905**

13. SUBSEQUENT EVENTS

Management has evaluated events and transactions occurring subsequent to December 31, 2023 through February 3, 2024, the date of the financial statement. During this period there were no subsequent events requiring recognition in the financial statement or disclosure in the notes to the financial statement.

REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION

RURAL WATER DISTRICT #4, INC.
BOURBON COUNTY, KANSAS
WATER UTILITY FUND

Schedule of Receipts and Expenditures - Actual - Regulatory Basis
For the Year Ended December 31, 2023
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2022 Actual	2023 Actual
Receipts		
Operating Receipts		
Metered water sales	$ 271,792.81	$ 273,958.71
Service fees	118,862.55	122,581.66
Penalties	4,269.34	4,516.65
Nonoperating Receipts		
Interest income	4,191.09	8,040.56
Proceeds from note payable	436,000.00	1,926,972.16
Insurance claims received	81,083.79	8,752.38
Miscellaneous income	9,496.19	30,620.56
Benefit unit deposits	11,650.00	19,750.00
Total Receipts	937,345.77	2,395,192.68
Expenditures		
Operating Expenditures		
Salaries	55,070.70	62,307.71
Payroll taxes	4,254.90	4,391.52
Operating supplies	56,309.62	72,162.28
Repairs and maintenance	44,716.94	57,607.93
Utilities and telephone	18,154.15	16,471.66
Office supplies	8,011.42	10,058.05
Insurance	8,867.00	14,144.00
Legal and accounting	3,165.00	3,290.00
Miscellaneous expense	5,461.04	5,930.99
Nonoperating Expenditures		
Debt Service		
Principal paid	95,000.00	95,000.00
Interest paid	14,460.40	92,081.21
Contract payable to State	19,753.28	18,520.82
Capital Outlays	446,453.94	2,106,387.96
Total Expenditures	779,678.39	2,558,354.13
Receipts Over (Under) Expenditures	157,667.38	(163,161.45)
Unencumbered Cash, Beginning	763,724.14	921,391.52
Unencumbered Cash, Ending	$ 921,391.52	$ 758,230.07

FEDERAL COMPLIANCE SECTION

RURAL WATER DISTRICT #4, INC.
BOURBON COUNTY, KANSAS

Schedule of Federal Expenditures
For the Year Ended December 31, 2023

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CAFDA NUMBER	PASS THROUGH ENTITY GRANT ID	AMOUNT RECEIVED	AMOUNT EXPENDED
Community Facilities Loans and Grants Cluster				
United States Department of Agriculture				
Community Facilities Loans and Grants	10.766	N/A	-	$ 2,184,919.00
Total Expenditures of Federal Awards				$ 2,184,919.00

Notes:

1. The Schedule of Expenditures of Federal Awards has been prepared in accordance with the regulatory basis of accounting as set forth in the Kansas Municipal Audit and Accounting Guide. Under the regulatory basis of accounting, revenues are recognized when cash is received. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments of the District for future payments and are supported by a document evidncing the commitment, such as purchas order or contract.

2. The District did not elect to use the 10% de minimis indirect cost rate.

Diehl
Banwart
Bolton
Certified Public Accountants PA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Rural Water District #4, Inc.
Bourbon County, Kansas 66755

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Rural Water District #4, Bourbon County, Kansas' (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards,

Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Diehl, Banwart, Bolton, CPAs PA

DIEHL, BANWART, BOLTON, CPAs PA

February 3, 2024
Fort Scott, Kansas

Diehl
Banwart
Bolton
Certified Public Accountants PA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Rural Water District #4, Inc.
Bourbon County, Kansas 66755

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of Rural Water District #4, Inc. as of the year ended December 31, 2023, and the related notes to the financial statement, which collectively comprise the District's basic financial statement, and have issued our report thereon dated February 3, 2024.

Report on Internal Control Over Financial Reporting
In planning and performing our audit of the financial statement, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether the District's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Diehl, Banwart, Bolton, CPAs PA

DIEHL, BANWART, BOLTON, CPAs PA

February 3, 2024
Fort Scott, Kansas

RURAL WATER DISTRICT #4, INC.
BOURBON COUNTY, KANSAS

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended December 31, 2023

SECTION I: SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:

The auditors' report was adverse for departures from accounting principles generally accepted in the United State of America due to the preparation of the financial statements in accordance with the Kansas regulatory basis of accounting. An unmodified opinion on the regulatory basis of accounting financial statement of the government was issued.

Internal control over financial reporting:

• Material weakness identified?	___ Yes	_X_ No	
• Significant deficiency identified?	___ Yes	_X_ None reported	
• Noncompliance material to financial statements noted?	___ Yes	_X_ No	

FEDERAL AWARDS

Internal control over major programs:

• Material weakness identified?	___ Yes	_X_ No	
• Significant deficiency identified?	___ Yes	_X_ None reported	

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of the Uniform Guidance? ___ Yes _X_ No

Identification of major programs:

CFDA Numbers	Name of Federal Program
10.766	Community Facilities Loans and Grants

Dollar threshold used to distinguish between Type A and Type B programs: $ 750,000

Auditee qualified as low-risk auditee? ___ Yes _X_ No

RURAL WATER DISTRICT #4, INC.
BOURBON COUNTY, KANSAS

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended December 31, 2023

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No material findings or questioned costs required to be disclosed under the Uniform Guidance.

RURAL WATER DISTRICT #4, INC.
BOURBON COUNTY, KANSAS

Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended December 31, 2023

No audit findings relative to the federal award programs.