CONSOLIDATED RURAL WATER DISTRICT NO. 1 SHAWNEE COUNTY, KANSAS

FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT
YEARS ENDED DECEMBER 31, 2021 & 2020

Cummins, Coffman & Schmidtlein
Certified Public Accountants, P.A.

CONSOLIDATED RURAL WATER DISTRICT NO. 1
SHAWNEE COUNTY, KANSAS

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Certified Public Accountants, P.A.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Consolidated Rural Water District No. 1
Topeka, KS 66610

Opinion

We have audited the accompanying financial statements of Consolidated Rural Water District No. 1, which comprise the statement of net position as of December 31, 2021 and 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Consolidated Rural Water District No. 1 as of December 31, 2021 and 2020, and the changes in net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Consolidated Rural Water District No. 1 and to meet our 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 about Consolidated Rural Water District No. 1's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Consolidated Rural Water District No. 1's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Consolidated Rural Water District No. 1's ability to continue as a going concern for a reasonable period of time.

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

Other Matter

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is considered to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Consolidated Rural Water District No. 1 financial statements as a whole. The Schedule of Insurance Coverage is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Cummins, Coffman & Schmidtlein, CPA's, P.A.

Cummins, Coffman & Schmidtlein, CPA's, P.A.
Topeka, Kansas
February 23, 2022

CONSOLIDATED RURAL WATER DISTRICT NO. 1
SHAWNEE COUNTY, KANSAS
STATEMENTS OF NET POSITION
For the years ended

Assets

	December 31 2021	December 31 2020
Current assets		
Cash and cash equivalents	$ 1,138,620	$ 2,568,194
Certificates of Deposit	469,802	469,563
Accounts receivable	113,071	108,717
Inventory	108,909	112,454
Prepaid expense	21,909	25,992
Total current assets	1,852,311	3,284,920
Noncurrent assets		
Capital assets, net	5,863,282	4,851,141
Restricted bond reserve	-	-
Total noncurrent assets	5,863,282	4,851,141
Total assets	$ 7,715,593	$ 8,136,061

Liabilities and Net Position

	December 31 2021	December 31 2020
Current liabilities		
Accounts payable	$ 3,829	$ 191,289
Accrued interest	29,489	35,194
Accrued wages	-	-
Other liabilities	2,847	3,330
Current maturities of long-term debt	140,000	195,000
Total current liabilities	176,165	424,813
Noncurrent liabilities		
Long-term debt, net of current maturities	3,665,000	3,805,000
Less: Unamortized debt issuance cost	-	1,667
Total long-term debt, net of current maturities less unamortized debt issuance costs	3,665,000	3,803,333
Accrued paid time off	15,849	32,106
Total noncurrent liabilities	3,680,849	3,835,439
Total liabilities	3,857,014	4,260,252
Net position		
Invested in capital assets, net of related debt	2,058,282	851,141
Restricted	-	-
Unrestricted	1,800,297	3,024,668
Total net position	3,858,579	3,875,809
Total liabilities and net position	$ 7,715,593	$ 8,136,061

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED RURAL WATER DISTRICT NO. 1
SHAWNEE COUNTY, KANSAS
STATEMENTS OF ACTIVITIES AND CHANGES IN NET POSITION
For the years ended

	December 31 2021	2020
Revenues		
Water sales	$ 977,093	$ 932,646
Water sales – minimum	476,997	475,203
Penalty charges	20,291	20,539
BU installation income	23,256	25,649
Other revenue	23,347	7,350
Total revenues	1,520,984	1,461,387
Expenses		
Wages	167,084	155,367
Payroll taxes	16,180	13,668
Retirement	16,447	17,063
Employee benefits	52,942	40,060
Directors' compensation	4,600	3,850
Depreciation	357,166	300,556
Water purchased	667,850	600,424
Professional fees	11,961	8,510
Insurance	34,359	31,731
Repairs and maintenance	42,864	93,110
BU installation expense	11,851	8,829
Contract services	2,725	126,346
Mileage reimbursement	5,169	13,652
Vehicle expense	15,423	4,010
Travel	34	-
Office expense	7,278	5,596
Postage	7,400	7,962
Utilities	30,884	25,642
Cell phone	5,543	6,010
Lab testing	12,485	8,077
Dues and subscriptions	1,059	1,039
Interest	120,329	31,861
Interest on debt issuance cost	1,666	2,752
Miscellaneous	3,207	1,240
Total expenses	1,596,506	1,507,355
Operating income	(75,522)	(45,968)
Non-operating revenues (expense)		
Interest income	3,020	17,438
Dividend income	3,015	4,914
Misc. non-operating revenue	6,057	136
Total other income (expenses)	12,092	22,488
Net income (loss) before contributions	(63,430)	(23,480)

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED RURAL WATER DISTRICT NO. 1
SHAWNEE COUNTY, KANSAS
STATEMENTS OF ACTIVITIES AND CHANGES IN NET POSITION (continued)
For the years ended

	December 31 2021	December 31 2020
Capital contributions		
Benefit units sold	46,200	64,825
Total capital contributions	46,200	64,825
Change in net position	(17,230)	41,345
Net position, beginning of year	3,875,809	3,834,464
Net position, end of year	$ 3,858,579	$ 3,875,809

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED RURAL WATER DISTRICT NO. 1
SHAWNEE COUNTY, KANSAS
STATEMENTS OF CASH FLOWS
For the years ended

	December 31 2021	2020
Cash flows from (used in) operating activities:		
Receipts from customers	$ 1,463,969	$ 1,419,494
Receipts from other revenues	29,404	7,485
Payments to suppliers for goods and services	(1,146,479)	(888,899)
Payments to employees for services	(167,084)	(155,367)
Payments for interest expense	(120,329)	(31,861)
Net cash from (used in) operating activities	59,481	350,852
Cash flows from (used in) investing activities:		
Sales of marketable securities	475,599	789,457
Purchases of marketable securities	(469,802)	(469,563)
Purchase of capital assets	(1,369,308)	(2,296,688)
Net cash from (used in) investing activities	(1,363,511)	(1,976,794)
Cash flows from (used in) financing activities:		
Principal paid on capital debt	(195,000)	(310,000)
Proceeds from issuance of debt	-	4,000,000
Benefit units sold	69,456	90,474
Net cash from (used in) financing activities	(125,544)	3,780,474
Net increase (decrease) in cash and cash equivalents	(1,429,574)	2,154,532
Cash and cash equivalents, beginning of year	2,568,194	413,662
Cash and cash equivalents, end of year	$ 1,138,620	$ 2,568,194
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	$ (92,721)	$ (71,617)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	357,165	300,556
Amortization from debt issuance cost	1,666	2,752
(Increase) decrease in operating assets:		
Accounts receivable	(4,354)	(1,398)
Inventory	3,545	(925)
Prepaid insurance	4,083	4,784
Increase (decrease) in operating liabilities:		
Accounts payable	(187,460)	103,223
Accrued interest	(5,705)	31,862
Accrued PTO	(16,255)	(30,758)
Accrued wages	-	(14,342)
Other liabilities	(483)	26,715
Net cash provided by operating activities	$ 59,481	$ 350,852

The accompanying notes are an integral part of these financial statements.

1. Organization and Significant Accounting Policies

Organization

Consolidated Rural Water District No. 1, Shawnee County, Kansas (the "District") was organized under Kansas law and is account for as a proprietary fund using the accrual basis of accounting. The District's purpose and objective is to acquire water and water rights, to build and acquire pipelines and for the purpose of furnishing water for domestic, agriculture, other purposes. The District provides services to patrons in a portion of Shawnee County.

Basis of Accounting

The financial statements of the District are prepared using the accrual method of accounting. Accordingly, revenues are recorded when earned and expenses are recognized when incurred, regardless of the timing of payments.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the District considers all highly liquid investments with original maturities of three months or less to be cash equivalents. For the purposes of the statement of cash flows, the District considers petty cash, money market, and operating cash in bank accounts as cash and cash equivalents.

Accounts Receivable

Accounts receivable consist of current and past due water usage charges and other charges for late fees. The District considers accounts receivable to be fully collectible, accordingly, no allowance for doubtful accounts is considered necessary. In the event accounts become uncollectible, they are charged to operations at the time that determination is made. The accounts receivable balance at December 31, 2021 and 2020 is $113,071 and $108,717.

Inventories

Inventories consist of pipe and parts and are recorded at historical cost.

1. Organization and Significant Accounting Policies (continued)

Capital Assets

Property and equipment are recorded at cost. Improvements and betterments to existing property and equipment are capitalized. Expenditures for maintenance and repair, which do not extend the life of the applicable assets, are charged to expense as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss are reflected in the statements of activities.

Depreciation of Capital Assets

Depreciation is recorded on the straight-line method over the estimated useful lives of the assets as follows:

	Years
Buildings	20-50
Distribution system	7-50
Tanks and towers	10-50
Wells and pump house	25-50
Easements	50
Office equipment	5
Equipment	5-10
Chlorination system	10
Vehicles	5

Benefit Units

Benefit units are rights that entitle the holder to water service. Benefit units are presently sold for a range of $3,500, $7,500, and $12,000, depending on size.

Debt Issue Costs

Costs related to the issuance of debt have been capitalized and are being amortized on a straight-line basis over the term of the debt.

Revenue Recognition

Operating revenues consist of those revenues that result from the ongoing principal operations of the District and are recognized when earned. Revenues from the line extensions and the sale of meters are deferred until the District has completed the line of extensions and set the meters.

Income Taxes

The District is a tax-exempt governmental entity and is not subject to income taxes at either the federal or state level. While the District is not required to file tax returns, the payroll activities of the District for at least the most recent three years are subject to examination by the IRS and state taxing authorities.

1. Organization and Significant Accounting Policies (continued)

Operating Revenues and Expenses

Operating revenues are result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

Certificates of Deposits

The District holds Certificate of Deposit accounts at financial institutions that they do not consider to be part of cash and cash equivalents. Amounts deposited into these accounts earn interest at rates that range from .10% to .25% for the years ended December 31, 2021 and 2020. The values of these accounts are recorded at cost which closely approximates fair value. The balance of these Certificates of Deposit for the years ended December 31, 2021 and 2020 was $469,802 and $469,563. The District held two Certificates of Deposit which were restricted until the repayment of the Bond funds. Both bonds have been released from restriction as of December 31, 2021.

Net Position

Net position is classified in the following two components:

Invested in Capital Assets, Net of Related Debt – This represents the District's total investment in capital assets, net of accumulated depreciation and reduced by any outstanding debt attributable to the acquisition, construction or improvements of those assets.

Unrestricted – This includes resources derived from sales and services. These resources are used for transactions relating to providing sales and services and general operations of the District and may be used at the discretion of the governing board to meet current expense for any purpose.

2. Capital Assets

Capital assets, together with activity for the years ended consisted of the following:

	December 31 2021	December 31 2020
Depreciable capital assets		
Buildings	$ 52,552	$ 52,552
Distribution system	8,238,064	6,939,797
Tanks and towers	4,019,409	1,449,119
Wells and pump house	354,245	354,245
Easements	7,866	7,866
Office equipment	60,377	60,377
Equipment	39,533	39,533
Chlorination system	20,065	20,065
Vehicles	61,495	28,437
Construction in progress	-	275,969
Construction process – K4 line	-	882,759
Construction process - Tower	-	1,373,580
	12,853,606	11,484,299
Less: accumulated depreciation	(7,087,186)	(6,730,020)
Depreciable capital assets, net	5,766,420	4,754,279
Non-depreciable capital assets		
Land	96,862	96,862
Non- depreciable capital assets, net	96,862	96,862
Total capital assets	$ 5,863,282	$ 4,851,141

Depreciation expense was $357,166 and $300,556 for the years ended December 31, 2021 and 2020.

3. Long Term Debt

Long-term debt consists of Water System Revenue Bonds issued to the United States Department of Agriculture Office and Land Development in the amount of $1,990,000 with a range of maturity dates of 2016 to 2021, with interest rates of 1.55% to 2.25%, payable semi-annually from utility revenues and secured by these revenues. The proceeds from this issue was used to retire the loan from KDHE. These bonds were paid in full during 2020.

Long-term debt also consists of Water System Revenue Bonds issued to the United States Department of Agriculture Office and Land Development in the amount of $4,000,000 with a range of maturity dates of 2020 to 2040, with an interest rate of 3.10% payable semi-annually from utility revenues and secured by these revenues. The proceeds from this issue will be used for various construction projects.

3. Long Term Debt (continued)

The following is a summary of changes in long-term debt for the year ended December 31, 2021:

	Beginning Principal Outstanding	Additions to Principal	Reductions of Principal	Ending Principal Outstanding
Revenue Bonds:				
Series 2012	$ -	$ -	$ -	$ -

	Beginning Principal Outstanding	Additions to Principal	Reductions of Principal	Ending Principal Outstanding
Revenue Bonds:				
Series 2020	$ 4,000,000	$ -	$ 195,000	$ 3,805,000

The following is a summary of changes in long-term debt for the year ended December 31, 2020:

	Beginning Principal Outstanding	Additions to Principal	Reductions of Principal	Ending Principal Outstanding
Revenue Bonds:				
Series 2012	$ 310,000	$ -	$ 310,000	$ -

	Beginning Principal Outstanding	Additions to Principal	Reductions of Principal	Ending Principal Outstanding
Revenue Bonds:				
Series 2020	$ 4,000,000	$ -	$ -	$ 4,000,000

Debt issuance costs, net of accumulated amortization as of December 31, 2020 was $1,666. The debt issuance costs were fully amortized as of December 31, 2021.

The annual debt service requirements to maturity for bonded debt as of December 31, 2021 are as follows:

Year Ending December 31,	Principal	Interest Rate
2022	$ 140,000	3.10%
2023	145,000	3.10%
2024	150,000	3.10%
2025	155,000	3.10%
2026	165,000	3.10%
Thereafter	3,050,000	3.10%
	$ 3,805,000	

3. Long Term Debt (continued)

Interest expense on long-term debt consists of $120,329 and $31,861 for the years ended December 31, 2021 and 2020 and interest expense from debt issuance costs was $1,666 and $2,752 for the years ended December 31, 2021 and 2020.

4. Defined Benefit Pension Plans

Plan Description

The District participates in the Kansas Public Employee 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 amend benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on KPERS website at www.kpers.org, by writing to KPERS (611 S. Kansas Avenue, Topeka, Kansas 66603), or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established for calendar year 2021 and 2020 ranged from 8.18% to 9.18%. The District employer contributions to KPERS for the years ended December 31, 2021 and 2020 was $16,447 and $17,063.

5. Concentration of Credit Risk and Vendors

The District is engaged in the sale of water to customers located in the area in Shawnee County, Kansas. The District grants credit to those customers and requires no collateral.

As of December 31, 2020 approximately 19% of the District's accounts payable was due to one vendor. As of December 31, 2021 there were no concentrations related to accounts payable.

6. Concentration of Credit Risk Arising From Cash Deposits in Excess of Insured Limits

At December 31, 2021 and 2020, cash balances are comprised of demand deposits and certificates of deposit. As required by law, the depository banks are to pledge securities in addition to Federal Deposit Insurance Corporation (FDIC) insurance or obtain surety bonds to equal the amount on deposits at all times. The District has no other policies that would further limit this risk.

6. Concentration of Credit Risk Arising From Cash Deposits in Excess of Insured Limits (continued)

Custodial credit risk is the risk that in the event of a bank failure, the district's deposits in excess of coverage may be lost. At both December 31, 2021 and 2020, the District's carrying amounts of deposits, including certificates of deposit, was $1,675,626 and $762,571, and the bank balance was $1,205,824 and $293,008, of which $250,000 was covered by FDIC insurance. Collateralized by securities for the years ended December 31, 2021 and 2020 was $1,565,422 and $762,664 held in safekeeping pledged to the District. The insured cash sweep (ICS) was closed during 2021 due to projects being completed during the current year. The District was not exposed to credit risk for the years ended December 31, 2021 and 2020.

7. Compensated Absences

The District has a paid time off policy program for employees, which includes vacation and sickness. Employees with less than five years or less of service are eligible for two weeks of vacation. Employees with more than five years of service are eligible for three weeks of vacation. An employee may carryover a maximum of 105 hours (3 weeks) of unused vacation into the next calendar year. At the time which employment ends, all accumulated vacation is paid out to the employee at their current hourly rate. All employees, regardless of tenure, receive sick leave credits. Each employee receives one day of sick leave to accrue per month starting on the first day of employment. Accumulated sick leave up to 490 hours can be carried over into the next calendar year. Accumulated hours over that threshold will be reimbursed to the employee at 50% of their current hourly rate in the month following each calendar year. At the time which employment ends, all accumulated sick leave is paid out to the employee at 50% of their current hourly rate. Accrued paid time off for the years ended December 31, 2021 and 2020 was $15,849 and $32,106.

8. Subsequent Event

Subsequent events were evaluated through the date of the audit report, which is the date the financial statements were available to be issued. No events were found requiring disclosure in these financial statements.

SUPPLEMENTARY INFORMATION

CONSOLIDATED RURAL WATER DISTRICT NO. 1
SHAWNEE COUNTY, KANSAS
SCHEDULE OF INSURANCE COVERAGE
For the Year Ended December 31, 2021

The District insurance policy is provided by Elliott Insurance, with a premium of $26,291 and covers the period November 5, 2021 to November 4, 2022. It provides the following coverage:

	Coverage
Building and personal property	$ 4,433,488
General liability	500,000 / 1,000,000
Contractors equipment	25,000
Linebacker	1,000,000/ 1,000,000
Employee theft	300,000
Equipment	98,379
Auto liability	500,000
Inventory	118,600
Worker's compensation	500,000
Data liability	50,000

CONSOLIDATED RURAL WATER DISTRICT NO. 1
SHAWNEE COUNTY, KANSAS
SCHEDULE OF INSURANCE COVERAGE
For the Year Ended December 31, 2020

The District insurance policy is provided by Elliott Insurance, with a premium of $31,190 and covers the period November 5, 2020 to November 4, 2021. It provides the following coverage:

	Coverage
Building and personal property	$ 4,433,488
General liability	500,000 / 1,000,000
Contractors equipment	25,000
Linebacker	1,000,000/ 1,000,000
Employee theft	300,000
Equipment	98,379
Auto liability	500,000
Inventory	118,600
Worker's compensation	500,000
Data liability	50,000