RURAL WATER DISTRICT NO. 5, COWLEY COUNTY

FINANCIAL STATEMENT
DECEMBER 31, 2023

BFR

RURAL WATER DISTRICT NO. 5, COWLEY COUNTY
TABLE OF CONTENTS
DECEMBER 31, 2023

	Page
Independent Auditors' Report	1 – 4
Financial Statement	
Summary of Cash Receipts, Expenditures, and Unencumbered Cash	5
Notes to Financial Statement	6 – 9
Regulatory-Required Supplementary Information	
Schedule of Cash Receipts and Expenditures - Actual	
Water Utility Fund	10

BFR

INDEPENDENT AUDITORS' REPORT

Board of Directors
Rural Water District No. 5
Cowley County
Burden, KS 67019

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of **Rural Water District No. 5, Cowley County, Kansas**, as of and for the year ended **December 31, 2023,** and the related notes to the financial statement.

Adverse and Unmodified Opinions

Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America
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 **Rural Water District No. 5, Cowley County, Kansas**, 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 **Rural Water District No. 5, Cowley County, Kansas**, as of **December 31, 2023**, 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 and the *Kansas Municipal Audit and Accounting Guide*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statement section of the report. We are required to be independent of **Rural Water District No. 5, Cowley County, Kansas**, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

BFR CPA, LLC
10000 W. 37th St. N.
Wichita, Kansas 67205-7700

(316) 945-1500
Fax (316) 945-1505
bfr@bfrcpa.com

Board of Directors
Rural Water District No. 5
Cowley County

Matter Giving Rise to Adverse Opinion on Accounting Principles Generally Accepted in the United State of America
As discussed in Note 1 of the financial statement, the financial statement is prepared by **Rural Water District No. 5, Cowley County, Kansas**, 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 **Rural Water District No. 5, Cowley County, Kansas'** ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial 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 auditors' 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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America, 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 **Rural Water District No. 5, Cowley County, Kansas'** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Rural Water District No. 5, Cowley County, Kansas'** ability to continue as a going concern for a reasonable period of time.

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

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 individual fund schedule of regulatory basis receipts and expenditures-actual (Regulatory-Required Supplementary Information 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 is 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 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 is fairly stated in all material respects in relation to the 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 **Rural Water District No. 5, Cowley County, Kansas**, as of and for the year ended December 31, 2022, and have issued our report thereon dated February 16, 2023, which contained an unmodified opinion on the basic financial statement.

Board of Directors
Rural Water District No. 5
Cowley County

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/oar/municipal-services. The 2022 actual column (2022 comparative information) presented in the individual fund schedule of regulatory basis receipts and expenditures-actual for the year ended December 31, 2022 (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 December 31, 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 State 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 December 31, 2022, on the basis of accounting described in Note 1.

BFR CPA, LLC

BFR CPA, LLC
March 11, 2024

RURAL WATER DISTRICT NO. 5, COWLEY, COUNTY
SUMMARY OF CASH RECEIPTS, EXPENDITURES,
AND UNENCUMBERED CASH
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023

Fund	Beginning Unencumbered Cash Balance	Prior Year Canceled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
Business Fund							
Water Utility Fund	$ 869,251	$ 0	$ 951,439	$ 903,908	$ 916,782	$ 762	$ 917,544

Composition of Cash:	Checking	$ 295,528
	Certificates of Deposit	622,016
		$ 917,544

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

RURAL WATER DISTRICT NO. 5, COWLEY COUNTY
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2023

Note 1 - Summary of Significant Accounting Policies:

Financial Reporting Entity

Rural Water District No. 5, Cowley County, Kansas (the District) was organized and incorporated on December 29, 1972, by order of the Board of County Commissioners under the provisions of K.S.A. 82a-612, for the purpose of constructing and operating a water supply distribution system serving Cowley County residents. The District is a municipality under Kansas statutes. The Board of the District consists of seven directors, all of whom are participating members of the District and are elected by the District participating members for three-year terms. The regulatory financial statement presents all funds over which the Board of Directors exercises financial responsibility. Financial responsibility includes appointment of governing body members, designation of management, the ability to significantly influence operations and accountability for fiscal matters.

Basis of Presentation – Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The District currently has only one fund. That fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, receipts, and expenditures. The fund accounts for the governmental resources allocated to it for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

KMAAG Regulatory Basis of Presentation Fund Definitions:

Governmental Funds

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

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 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 accounting principles generally accepted in the United States of America and allowing the municipality to use the regulatory basis of accounting.

Budget Information

The District is not subject to K.S.A. 79-2925, requiring budgets be legally adopted for all taxing subdivisions of the state.

Note 2 - Postemployment Benefits:

As provided by K.S.A. 12-5040, the District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the District is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

The District did not provide any significant postemployment benefits for former employees at December 31, 2023.

Note 3 - Reimbursed Expenditures:

The District records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as a receipt to the fund that receives the reimbursement. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements under the KMAAG regulatory basis of accounting.

Note 4 - Deposits:

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 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%. All deposits were legally secured at December 31, 2023.

At December 31, 2023, the District's carrying amount of deposits was $917,544 and the bank balance was $983,214. The bank balance is held by one bank resulting in a concentration of credit risk. Of the bank balance, $250,000 was covered by federal depository insurance, and $733,214 was collateralized with securities held by the pledging financial institution's agent in the District's name.

Note 5 - 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 Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 S 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 for the Death and Disability Program) and the statutory contribution rate was 8.43% for the fiscal year ended December 31, 2023. Contributions to the pension plan from the District were $21,655 for the year ended December 31, 2023.

Net Pension Liability
At December 31, 2023, the District's proportionate share of the collective net pension liability reported by KPERS was $207,693. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022, which was rolled forward to June 30, 2023. 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.

Note 6 - Litigation:

The District is a party to various claims, none of which is expected to have a material financial impact on the financial statement.

Note 7 - Contracts Receivable:

The District adds water lines and extensions to customers as new customers are added to the District's service territory. The District allows its customers to reimburse the District for the costs of the new water lines and water extensions over a number of years, through written contracts. The contract terms vary from 3 to 20 years in length, and interest rates range from 0% to 4%. At December 31, 2023, according to District records there were outstanding contracts receivable balances of $78,784.

Note 8 - Contingencies:

Risk Management
The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past 3 fiscal years.

The District has been unable to obtain Health Insurance at a cost it considered to be economically justifiable. For this reason, the District joined together with other entities in the State to participate in Kansas State Employees Health Care Benefits Program Non-State Employer Contract, a public entity risk pool currently operating as a common risk management and insurance program for participating members.

The District pays an annual premium to the Kansas State Employees Health Care Benefits Program Non-State Employer Contract, for its Health Insurance coverage. The District pays 70% of premiums per employee while the employee pays 30% of premiums.

Note 9 - Related Party Transactions:

All members of the Board of Directors are also the District's water customers. During the year ended December 31, 2023, the District has a long-term contract receivable with a board member for water line installations.

Note 10 - Capital Improvement Program:

The District implemented a Capital Improvement Program (CIP) to fund any capital improvements deemed necessary by the District, by setting aside a specified amount of money each year to be used toward scheduled improvements when needed. Activity for the year ended December 31, 2023, was as follows:

Beginning Balance	$ 386,175
CIP Designations	76,000
CIP Expenditures	(64,395)
Ending Balance	$ 397,780

The above is included in the December 31, 2023, ending cash balance of $917,544.

Note 11 - Subsequent Events:

The District has evaluated subsequent events through March 11, 2024, the date which the financial statement was available to be issued.

REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION

RURAL WATER DISTRICT NO. 5
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

Water Utility Fund

	Prior Year Actual	Current Year Actual
Cash Receipts		
Water sales	$ 429,890	$ 461,981
Water minimums	379,351	379,309
Penalties collected	4,066	5,756
Connection charges	32,200	20,599
Other revenues	10,926	32,356
Sale of benefit units	12,000	16,000
Principal payments on contracts receivable	23,382	23,366
Interest income on contracts receivable	1,701	1,036
Interest income on deposit accounts	1,410	11,036
	894,926	951,439
Expenditures		
Water purchases	237,885	262,897
Wages	205,528	230,462
Payroll taxes	14,324	16,573
KPERS	18,269	21,655
Employee health insurance	54,652	57,296
Employee health savings acct contribution	5,132	6,984
Employee mileage	17,341	5,976
Insurance	28,461	24,401
Utilities	39,779	32,002
Machine hire and contract labor	56,037	49,026
Operating supplies	35,784	53,642
Repairs and maintenance	26,124	0
Software	5,025	7,711
Training and travel	984	2,067
Telephone	3,789	3,557
Office supplies	1,828	7,887
Water protection fees	2,915	3,010
Kansas one-call	540	368
GPS processing fees	0	1,200
Freight and shipping	560	0
Meeting expenses	1,343	0
Other expenses	3,515	5,646
Accounting and auditing	7,150	7,450
Legal	0	202
Licenses, dues, and subscriptions	890	961
Postage	500	4,908
Printing and copies	813	1,454
Burden line maintenance	8,473	11,239
Testing fees	819	3,433
Equipment and tools	3,933	0
Vehicle	11,985	17,506
Capital Improvement expenditures	114,765	64,395
	909,143	903,908
Receipts Over (Under) Expenditures	(14,217)	47,531
Unencumbered Cash, Beginning	883,468	869,251
Prior Year Canceled Encumbrances	0	0
Unencumbered Cash, Ending	$ 869,251	$ 916,782