

CONSOLIDATED RURAL WATER DISTRICT NO. 4 SHAWNEE COUNTY

FINANCIAL STATEMENTS

For the Years Ending December 31, 2021 and 2020

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CONSOLIDATED RURAL WATER DISTRICT NO. 4 SHAWNEE COUNTY

Financial Statements
For the Years Ending December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Consolidated Rural Water District No. 4 Shawnee County

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Consolidated Rural Water District No 4 Shawnee County (the District), as of and for the years ending December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Consolidated Rural Water District No. 4 Shawnee County as of December 31, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years ending 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Consolidated Rural Water District No. 4 Shawnee County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 amount 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 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 statements.
- Conclude whether, in our judgement, 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.

Other Matters

Required Supplementary Information

Management has omitted the schedule of the District's proportionate share of the net pension liability and the schedule of the District's contributions to KPERS that accounting principles generally accepted in the United States of America require be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Prior Period Financial Statements Audited by a Predecessor Auditor

The District's financial statements for the year ended December 31, 2020 were audited by other auditors whose report dated March 11, 2021, expressed an unmodified opinion.

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

February 25, 2022

CONSOLIDATED RURAL WATER DISTRICT NO. 4 SHAWNEE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Years Ending December 31, 2021 and 2020 (unaudited)

Our discussion of the financial performance of Consolidated Rural Water District No. 4, Shawnee County, Kansas (the District), provides an overview of the financial activities of the District for the fiscal year ended December 31, 2021 and comparative data for the years ended December 31, 2021 and December 31, 2020. This information is presented in conjunction with the audited financial statements that follow this section.

The financial statements presented in this report consist of the *statements of net position*, *statements of activities and changes in net position*, and the *statement of cash flows*. The statement of net position provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for assessing the liquidity and financial flexibility of the District. The current year's revenues and expenses are accounted for in the statement of activities and changes in net position. This statement reports the revenues and expenses during the period indicated and can be used to determine whether the District has successfully recovered all its costs through user fees and other charges. The primary purpose of the statement of cash flows is to provide information about the District's cash receipts and cash payments. This statement reports cash receipts, cash payments, and net changes in cash resulting from activities related to operations, capital and related financing and investing.

Financial Highlights

The District's total assets decreased by \$493,337 from December 31, 2020 to December 31, 2021. This was principally due to the increase in accumulated depreciation during 2021.

The District's net position increased by \$392,135 from December 31, 2020 to December 31, 2021. This was principally due to the revenues of water sales exceeding the related costs of providing water service.

The District had income from operations of \$394,327 after recognizing depreciation and amortization expense of \$656,265 in 2021 compared to income from operations of \$647,615, after recognizing depreciation and amortization expense of \$609,661 in 2020.

The District's expense from non-operating revenues (expenses) was \$(62,792), after recognizing interest expense of \$(90,383), and interest income of \$27,591 in 2021 compared to expense from non-operating revenues (expenses) of \$(33,161) after recognizing interest expense of \$(124,450), gain on sale of assets of \$5,600 and interest income of \$85,689 in 2021.

Total cash on hand at December 31, 2021 was \$1,874,549 which was a decrease of \$18,301 over the cash on hand amount of \$1,892,850 on December 31, 2020; there was a decrease in short term investments of \$2,838,926 at December 31, 2021 compared to 2020. In addition, in 2021 there the bonds payments due February 1, 2022 were paid to the Kansas State Treasurer in December 2021 resulting in the deposit amount on the balance sheet of \$592,730.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the District.

The District's basic financial statements comprise two components: 1) basic financial statements, and 2) notes to financial statements.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the figures provided in the financial statements. The notes to basic financial statements can be found on pages 9-16 of this report.

CONSOLIDATED RURAL WATER DISTRICT NO. 4 SHAWNEE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Years Ending December 31, 2021 and 2020 (unaudited)

Net Position

The District's net position invested in capital assets (e.g., land, buildings and equipment), less any related debt outstanding used to acquire those assets increased by \$2,991,663 in 2021 when compared to 2020. The District uses these capital assets to provide services to its participating members (customers); consequently, these assets are not available for future spending.

The District's restricted net position is a loan reserve account required for the Water Utility system Revenue Bonds. The reserve account remained the same in 2021 as it was in 2020.

The unrestricted net position may be used to meet the District's ongoing obligations to its customers and creditors. The unrestricted net position decreased by \$2,599,528 in 2021 over the balance in 2020.

Current Assets

The District's current assets increased by \$2,612,833 in 2021 compared to 2020.

Capital Assets

The District's investment in capital assets for its business-type activities as of December 31, 2021 and 2020 was \$15,117,288 and \$15,610,625 respectively, (net of accumulated depreciation). This includes land, buildings, facilities, equipment and construction in progress.

Additional information on the District's capital assets can be found in Note 2D on pages 7-8 of this report.

Current Liabilities

The District's current liabilities increased by \$1,695 in 2021 when compared to the 2020 balances.

Long Term Debt

The District reduced its outstanding debt liability by \$3,485,000 for the year ended December 31, 2021 as compared to December 31, 2020. The District reduced its outstanding debt liability by \$795,000 for the year ended December 31, 2020 as compared to December 31, 2019.

Economic Factors and Next Year's Budget and Rates

The annual budget outlines Management's plan to carry out the District's mission of providing a safe and dependable supply of potable water for the customers the District serves.

As a product of an ongoing examination of how the District conducts its business, the budget seeks to assure that the District has the necessary funds to accomplish its objectives, while ensuring that the rates and charges remain as competitive as possible.

Continued slow growth within the District is anticipated. The potential consolidation with a surrounding district and cities is a factor that could have an impact on operations, the Board of Directors continues to monitor and participate in that process.

CONSOLIDATED RURAL WATER DISTRICT NO. 4 SHAWNEE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ending December 31, 2021 and 2020
(unaudited)

Requests for Information

This financial report is designed to provide citizens, customers, investors and creditors with a general overview of the District's finances, and to demonstrate the District's financial accountability. If you have any questions about this report or desire any additional information, contact the general manager at 1741 NE 46th Street, Topeka, KS 66617 or by phone (785) 286-1729.

CONSOLIDATED RURAL WATER DISTRICT NO. 4 SHAWNEE COUNTY

STATEMENT OF NET POSITION - PROPRIETARY FUND
For the Years Ending December 31, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash	\$ 1,874,549	\$ 1,892,850
Short-term investments	221,111	3,060,037
Accounts receivable	209,646	194,940
Deposit with state treasurer	592,730	444,563
Inventory	299,660	218,139
Total current assets	<u>3,197,696</u>	<u>5,810,529</u>
Noncurrent assets:		
Loan reserve	959,279	959,279
Capital assets, nondepreciable		
Construction in progress	93,028	-
Land	1,060,065	1,060,065
Capital assets, depreciable	27,489,094	27,419,194
Less: accumulated depreciation	<u>[13,524,899]</u>	<u>[12,868,634]</u>
Total noncurrent assets	<u>16,076,567</u>	<u>16,569,904</u>
Total assets	<u>\$ 19,274,263</u>	<u>\$ 22,380,433</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 12,293	\$ 39,386
Accrued interest	14,775	49,635
Line extension and meter deposits	18,145	16,878
Maintenance accruals	137,881	90,500
Current portion of bonds payable	790,000	775,000
Total current liabilities	<u>973,094</u>	<u>971,399</u>
Noncurrent liabilities:		
Bonds payable, less current portion	<u>820,000</u>	<u>4,320,000</u>
Total noncurrent liabilities	<u>820,000</u>	<u>4,320,000</u>
Total liabilities	<u>1,793,094</u>	<u>5,291,399</u>
Net Position:		
Net investment in capital assets	13,507,288	10,515,625
Restricted	959,279	959,279
Unrestricted	<u>3,014,602</u>	<u>5,614,130</u>
Total net position	<u>17,481,169</u>	<u>17,089,034</u>
Total Liabilities and Net Position	<u>\$ 19,274,263</u>	<u>\$ 22,380,433</u>

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

CONSOLIDATED RURAL WATER DISTRICT NO. 4 SHAWNEE COUNTY

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION - PROPRIETARY FUND
For the Years Ending December 31, 2021 and 2020

	2021	2020
Operating revenues		
Water sales	\$ 2,902,815	\$ 2,823,150
Late charges	-	30,524
Other fees	88,608	76,257
Total operating revenues	<u>2,991,423</u>	<u>2,929,931</u>
Operating expenses		
Water purchases	82,550	83,578
Accrued expenses	132,000	99,000
Analytical services	2,090	4,484
Chemicals	262,485	263,007
Engineering services	35,741	44,645
Fuel	20,844	23,548
Insurance	52,507	61,433
Miscellaneous	17,592	16,642
Office supplies	58,939	47,581
Postage and delivery	30,873	26,904
Professional fees	9,492	9,331
Repairs and maintenance	481,877	213,168
Rent	8,880	8,140
Sales tax	1,633	6,548
Property taxes	4,230	4,264
Telephone	9,530	13,099
Tools and supplies	38,773	47,261
Uniforms	4,211	5,735
Utilities	192,553	182,585
Water protection fees	25,058	25,913
Personnel costs	388,450	391,939
Payroll taxes	31,286	29,988
Employee benefits	49,237	63,862
Depreciation and amortization	656,265	609,661
Total operating expenses	<u>2,597,096</u>	<u>2,282,316</u>
Operating income [loss]	<u>394,327</u>	<u>647,615</u>
Nonoperating revenues [expenses]		
Interest income	27,591	85,689
Interest expense	[90,383]	[124,450]
Gain [loss] on sale of assets	-	5,600
Total nonoperating revenues [expenses]	<u>[62,792]</u>	<u>[33,161]</u>
Net income [loss] before contributions	<u>331,535</u>	<u>614,454</u>
Capital contributions from members		
Benefit units and aid in construction	<u>60,600</u>	<u>115,500</u>
Change in net position	392,135	729,954
Net position - beginning of year	<u>17,089,034</u>	<u>16,359,080</u>
Net position - end of year	<u>\$ 17,481,169</u>	<u>\$ 17,089,034</u>

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

CONSOLIDATED RURAL WATER DISTRICT NO. 4 SHAWNEE COUNTY

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Years Ending December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Cash received from customers	\$ 2,977,984	\$ 2,899,532
Cash paid to suppliers of goods or services	[1,533,091]	[1,239,566]
Cash paid to employees for services	[468,973]	[421,927]
Net cash provided by operating activities	975,920	1,238,039
Cash flows from investing activities		
Interest received	27,591	85,689
Sale [purchase] of investments	2,838,926	[77,688]
Net cash provided by investing activities	2,866,517	8,001
Cash flows from capital and related financing activities		
Proceeds from sale of benefit units/contribution in aid	60,600	115,500
Deposit with state treasurer	[148,167]	[444,563]
Purchase and construction of capital assets	[162,928]	[247,227]
Principal repayment	[3,485,000]	[795,000]
Interest paid	[125,243]	[131,075]
Proceeds from sale of capital assets	-	5,600
Net cash provided by [used in] capital and related financing activities	[3,860,738]	[1,496,765]
Net increase [decrease] in cash and cash equivalents	[18,301]	[250,725]
Cash and cash equivalents - beginning of year	1,892,850	2,143,575
Cash and cash equivalents - end of year	\$ 1,874,549	\$ 1,892,850
Reconciliation of operating income [loss] to net cash provided [used in] operating activities		
Operating income [loss]	\$ 394,327	\$ 647,615
Adjustments to reconcile operating income [loss] to net cash provided by [used in] operating activities		
Depreciation expense	656,265	609,661
[Increase] decrease in accounts receivable	[14,706]	[30,399]
[Increase] decrease in inventory	[81,521]	98,153
Increase [decrease] in accounts payable	[27,093]	[174,347]
Increase [decrease] in maintenance accruals	47,381	90,500
Increase [decrease] in line extensions and meter deposits	1,267	[3,144]
Net cash provided by [used in] operating activities	\$ 975,920	\$ 1,238,039

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

CONSOLIDATED RURAL WATER DISTRICT NO. 4 SHAWNEE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ending December 31, 2021 and 2020

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Consolidated Rural Water District No. 4 Shawnee County (the District) was organized under Kansas law with the purpose and objective to acquire water and water rights, and to build and acquire pipelines for the purpose of furnishing water for domestic, agriculture, and/or other purposes. The District provides services to patrons located within the District. Effective April 1, 2005, Rural Water District No. 4 of Shawnee County, Kansas, consolidated with Rural Water Districts No. 3 and 5 of Shawnee County, Kansas. The benefit units in service as of December 31, 2021 and 2020 were 4,791 and 4,768, respectively.

B. Government-wide and Fund Financial Statements

The statement of net position and the statement of revenues, expenses, and changes in net position report information on the District as a whole. All activities of the District are business-type activities operated as a single proprietary fund.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The District's financials are prepared in accordance with generally accepted accounting principles (GAAP) for an enterprise fund using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. Operating revenues and expenses generally result from providing services. All other revenues and expenses not meeting this definition are nonoperating. The statement of cash flows provides information about how the District meets the cash flow needs of its activities.

D. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, with original maturities of three months or less from the date of acquisition.

The District invests its unrestricted cash in a financial institution in northeast Kansas.

E. Investments

The investments represent certificates of deposit. The certificates of deposit are recorded at cost because they are not affected by market rate changes.

F. Accounts Receivable

Accounts receivable are carried at original billed amount less any estimate made for doubtful receivables based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts.

The meters in the District are read between the 10th and 20th of each month. All readings are processed and then prepared for mailings on the 1st day of the month following the reading. Payments for water are due the 20th day of the following month or will be subject to a 10% late charge. The base rate charge includes a capital improvement fee of \$4.00 and a base rate that varies from \$16.50 to \$63.90 based on the size of the water line and usage is billed at a rate of \$4.00 per 1,000 gallons.

The last water rate adjustment by the District was on June 1, 2013.

CONSOLIDATED RURAL WATER DISTRICT NO. 4 SHAWNEE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ending December 31, 2021 and 2020

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory

The District's inventory is valued at cost. Cost is determined using the average cost method.

H. Benefit Units

Benefit units are rights that entitle the holder to water service. Benefit units are presently sold for \$3,500 for a ¾ inch meter, \$4,500 for a one-inch meter and \$8,100 for a two-inch meter.

I. Aid in Construction

Aid in construction represents contributions from members of the District for line extensions.

J. Budget

The District prepares its budget for the fiscal year using the same basis of accounting as the financial statements. A comparison of actual to budget activity is not presented in these financial statements.

K. Capital Assets

Property, plant and equipment are recorded at cost less accumulated depreciation. 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 is recognized in income for the period.

Property, plant and equipment of the District are depreciated using the straight-line method over the following useful lives:

	Capitalization <u>Policy</u>	Useful <u>Life</u>
Wells	\$ 5,000	10 to 20 years
Distribution Lines	5,000	10 to 20 years
Meters	5,000	40 years
Structures	5,000	10 years
Equipment	5,000	10 to 30 years
Plumbing	5,000	3 to 10 years
Purification	5,000	10 to 20 years
Furniture & Fixtures	5,000	3 to 10 years
Miscellaneous	5,000	3 to 10 years

L. Net Position

The District's net position is displayed in three components as follows:

Net Investment in Capital Assets - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

CONSOLIDATED RURAL WATER DISTRICT NO. 4 SHAWNEE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ending December 31, 2021 and 2020

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted - This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislations.

Unrestricted - This consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

The District's restricted net position is comprised of a loan reserve account that is required by the indebtedness.

M. Use of Estimates

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

N. Income Taxes

The District is considered a municipality and is therefore a tax-exempt entity and is not subject to income taxes at either the federal or state level.

O. Compensated Absences

The District has a paid time off policy program for employees, which includes vacation, sickness or other personal needs. Full-time employees with one year of service are eligible for two weeks of vacation. All employees accrue a 1/2 day of sick leave for every month of service and up to 30 days of sick leave can be retained, no accrued vacation or sick leave is included in these financial statements as management believes the amount is immaterial. The District's policy is to recognize the costs of compensated absences when actually paid to employees.

Note 2. DETAILED NOTES

A. Cash and Cash Equivalents

Cash and cash equivalents consist of the following for the years ending December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Checking	\$ 1,131,077	\$1,150,743
Money market	743,293	741,957
Petty cash	<u>179</u>	<u>150</u>
Total cash and cash equivalents	<u>\$ 1,874,549</u>	<u>\$1,892,850</u>

B. Deposits and Investments

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

CONSOLIDATED RURAL WATER DISTRICT NO. 4 SHAWNEE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ending December 31, 2021 and 2020

Note 2. DETAILED NOTES (Continued)

B. Deposits and Investments (Continued).

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

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

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated 'peak periods' when required coverage is 50%. All deposits were legally secured at December 31, 2021 and 2020.

At December 31, 2021 and 2020, the District's carrying amount of deposits, including certificates of deposit, was \$3,054,938 and \$5,912,016, respectively, and the bank balance was \$3,252,045 and \$5,938,494, respectively. The bank balance was held in one bank resulting in a concentration of credit risk. Of the bank balance at December 31, 2021, \$250,000 was covered by federal depository insurance and the balance was collateralized with securities held by the pledging financial institutions' agents in the District's name.

C. Defined Contribution Plan

A deferred compensation plan is available to all employees of the District. Under the plan, employees may elect to defer a portion of their salaries to the plan. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or other allowable cause. The District has the option of contributing to the plan. In 2021 and 2020, the District contributed 5% of the employees' gross salaries. Under the terms of IRC Section 457 deferred compensation plans, all deferred compensation and income attributable to the plan are property of the District and subject to the claims of the creditors of the District.

CONSOLIDATED RURAL WATER DISTRICT NO. 4 SHAWNEE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ending December 31, 2021 and 2020

Note 2. DETAILED NOTES (Continued)

D. Capital Assets

Capital asset activity for the years ending December 31, 2021 and 2020 was as follows:

	Balance January 1, <u>2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2021</u>
Nondepreciable assets:				
Land	\$ 1,060,065	\$ -	\$ -	\$ 1,060,065
Construction in progress	-	93,028	-	93,028
Depreciable assets:				
Wells	1,157,882	-	-	1,157,882
Distribution lines	8,003,884	-	-	8,003,884
Meters	872,512	-	-	872,512
Structures	3,815,036	-	-	3,815,036
Equipment	547,158	69,900	-	617,058
Plumbing	41,380	-	-	41,380
Purification	6,806	-	-	6,806
Furnitures & fixtures	26,333	-	-	26,333
Miscellaneous	5,170	-	-	5,170
Plant additions	434,409	-	-	434,409
Water treatment plant	<u>12,508,624</u>	<u>-</u>	<u>-</u>	<u>12,508,624</u>
Total capital assets	<u>28,479,259</u>	<u>162,928</u>	<u>-</u>	<u>28,642,187</u>
Less:				
Accumulated depreciation	<u>[12,868,634]</u>	<u>[656,265]</u>	<u>-</u>	<u>[13,524,899]</u>
Capital assets, net	<u>\$ 15,610,625</u>	<u>\$ [493,337]</u>	<u>\$ -</u>	<u>\$ 15,117,288</u>

CONSOLIDATED RURAL WATER DISTRICT NO. 4 SHAWNEE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ending December 31, 2021 and 2020

Note 2. DETAILED NOTES (Continued)

D. Capital Assets (Continued)

	Balance January 1, <u>2020</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2020</u>
Nondepreciable assets:				
Land	\$ 1,060,065	\$ -	\$ -	\$ 1,060,065
Depreciable assets:				
Wells	1,157,882	-	-	1,157,882
Distribution lines	8,003,884	-	-	8,003,884
Meters	723,112	149,400	-	872,512
Structures	3,815,036	-	-	3,815,036
Equipment	485,605	97,827	[36,274]	547,158
Plumbing	41,380	-	-	41,380
Purification	6,806	-	-	6,806
Furnitures & fixtures	26,333	-	-	26,333
Miscellaneous	5,170	-	-	5,170
Plant additions	434,409	-	-	434,409
Water treatment plant	<u>12,508,624</u>	<u>-</u>	<u>-</u>	<u>12,508,624</u>
Total capital assets	<u>28,268,306</u>	<u>247,227</u>	<u>[36,274]</u>	<u>28,479,259</u>
Less:				
Accumulated depreciation	<u>[12,295,247]</u>	<u>[609,661]</u>	<u>36,274</u>	<u>[12,868,634]</u>
Capital assets, net	<u>\$ 15,973,059</u>	<u>\$ [362,434]</u>	<u>\$ -</u>	<u>\$ 15,610,625</u>

Depreciation expense was \$656,265 and \$609,661, respectively, for the years ended December 31, 2021 and 2020.

E. Long-Term Liabilities

Long-term obligations of the District consist of the following as of December 31, 2021:

	Interest <u>Rate</u>	Amount <u>Outstanding</u>	Original <u>Amount</u>	Date of <u>Issue</u>	Final <u>Maturity</u>
Revenue Bonds Series 2013 A	2.0 - 2.7%	<u>\$ 1,610,000</u>	<u>\$ 9,790,000</u>	2/28/2013	2/1/2027
Total Revenue Bonds		<u>\$ 1,610,000</u>	<u>\$ 9,790,000</u>		

The changes in the District's long-term obligations for the years ending December 31, 2021 and 2020 consisted of the following:

CONSOLIDATED RURAL WATER DISTRICT NO. 4 SHAWNEE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ending December 31, 2021 and 2020

Note 2. DETAILED NOTES (Continued)

E. Long-Term Liabilities (Continued)

	Balance January 1, <u>2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2021</u>	Amounts Due Within <u>One Year</u>
Water System Revenue Bonds Series 2013 A	<u>\$5,095,000</u>	<u>\$ -</u>	<u>\$3,485,000</u>	<u>\$ 1,610,000</u>	<u>\$ 790,000</u>
Total	<u>\$5,095,000</u>	<u>\$ -</u>	<u>\$3,485,000</u>	<u>\$ 1,610,000</u>	<u>\$ 790,000</u>

In 2013, the District issued Water System Revenue Bonds, Series A and B, to refinance existing debt related to the construction of a water treatment plant. The total amount of the Series 2013 issuances was \$10,910,000. The interest rates on the bonds range from .65% to 2.70%.

Future maturities of the long-term debt as of December 31, 2021 is as follows:

Year Ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 790,000	\$ 99,478	\$ 889,478
2023	810,000	82,378	892,378
2024	10,000	240	10,240
	<u>\$ 1,610,000</u>	<u>\$ 182,096</u>	<u>\$ 1,792,096</u>

As part of the long-term debt agreements, the District is required to maintain a debt service coverage ratio of 1.15 and establish a loan reserve account in the amount of \$959,279. The debt service coverage ratio was 1.20 and 1.46, respectively, for the years ended December 31, 2021 and 2020.

F. Net Investment in Capital Assets

The following represents the net position of the District reported as net investment in capital assets as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Capital assets, net of depreciation	\$ 15,117,288	\$15,610,625
Revenue bonds outstanding at year end	<u>[1,610,000]</u>	<u>[5,095,000]</u>
Net investment in capital assets	<u>\$ 13,507,288</u>	<u>\$10,515,625</u>

Note 3. OTHER INFORMATION

A. Commitments and Contingencies Litigation

The District's management and legal counsel anticipate that the potential claims against the District not covered by insurance, if any, would not materially affect the financial position of the District.

CONSOLIDATED RURAL WATER DISTRICT NO. 4 SHAWNEE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ending December 31, 2021 and 2020

Note 3. OTHER INFORMATION (Continued)

B. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; business interruptions; errors and omissions and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded the commercial coverage in any of the three preceding years. There have not been significant reductions in coverage from prior years.

C. Contracts

The District has a contract with the City of Topeka, Kansas for the purchase of water.

In 2009, the District entered into a 20-year contract with Rural Water District No. 1, Jackson County, Kansas for the distribution of water.

In 2014, the District entered into an agreement with Consolidated Rural Water District No. 2, Shawnee County, Kansas for the distribution of water, which began in 2020.

D. Reclassification

Certain amounts from the prior period have been reclassified to correspond with the current year presentation.

E. Compliance with Kansas Statutes

References made herein to the statutes are not intended as interpretation of law but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and legal representatives of the water District. District management noted no violations of Kansas statutes during the years ended December 31, 2021.

F. Line Extensions and Meter Deposits

The District requires developers to pay in advance for the cost of constructing lines and requires renters to pay deposits for water services. The entire balance of \$18,145 and \$16,878 as of December 31, 2021 and 2020, respectively, consists of renter deposits.

G. Subsequent Events

Subsequent events for management's review have been evaluated through February 25, 2022 the date the financial statements were available to be issued.