BUTLER COUNTY RURAL WATER DISTRICT NO. 6

FINANCIAL STATEMENTS

With Independent Auditor's Report

December 31, 2023 and 2022

REGIER CARR & MONROE, LLP, CPAs

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Butler County Rural Water District No. 6
El Dorado, Kansas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Butler County Rural Water District No. 6 which comprise the statements of financial position as of December 31, 2023 and 2022 and the related statements of activities and changes in net assets, and cash flows for the years 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 Butler County Rural Water District No. 6 as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended are in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Butler County Rural Water District No. 6 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient 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 the Kansas Municipal Audit and Accounting Guide; 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 Butler County Rural Water District No. 6's ability to continue as a going concern for one year after the date that the financial statements are issued.

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 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.

REGIER CARR & MONROE LLP, CPAs
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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 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 Butler County Rural Water District No. 6'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 Butler County Rural Water District No. 6'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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Insurance Coverage and Schedule of Statistical Information is presented for purposes of additional analysis and is not a required part of the financial statements. 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 financial statements.

Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Rogers, Carr & Munroe, CLA

Wichita, Kansas
May 6, 2024

Butler County Rural Water District No. 6
Statements of Financial Position
December 31, 2023 and 2022

ASSETS

	2023	2022
Cash and cash equivalents	$ 1,734,296	$ 1,577,685
Accounts receivable - customers	75,834	80,298
Notes receivable	7,452	12,034
Prepaid expenses	12,944	12,944
Inventory - materials	9,896	7,865
Property and equipment, at cost		
Water system equipment and improvements	8,770,313	8,708,658
Less accumulated depreciation	5,754,915	5,622,002
Property and equipment net of depreciation	3,015,398	3,086,656
Loan reserve deposit held by KDHE	148,247	148,247
Total assets	$ 5,004,067	$ 4,925,729

LIABILITIES AND FUND EQUITY

Liabilities		
Accounts payable - operating	$ 50,913	$ 50,004
Unearned revenue	41,500	31,000
Loan payable	1,172,750	1,234,865
Total liabilities	1,265,163	1,315,869
Net assets-unrestricted		
Reserved	148,247	148,247
Unreserved	3,590,657	3,461,613
Total net assets-unrestricted	3,738,904	3,609,860
Total liabilities and fund equity	$ 5,004,067	$ 4,925,729

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

Butler County Rural Water District No. 6
Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2023 and 2022

	2023	2022
Operating revenue		
Sale of water	$ 1,122,298	$ 997,542
New meters	42,000	31,600
Connections & misc.	55,510	35,352
Total operating revenue	1,219,808	1,064,494
Operating expenses		
Program expenses		
Water purchases	372,083	380,759
Systems repairs	98,844	68,838
Depreciation	132,914	128,025
Maintenance contract	74,206	20,800
Connections	63,059	35,629
Engineering	18,096	9,453
Utilities	33,956	34,709
Mileage reimbursements & misc.	30,800	45,154
Insurance	30,097	24,671
Payroll	103,706	134,229
Rent	7,200	7,200
Supplies	78,974	79,670
Water protection fee	3,925	3,500
Water testing	2,120	2,657
Total program expenses	1,049,980	975,294
Administrative expenses		
Legal	150	-
Independent audit	5,700	5,500
Office supplies and postage	10,953	10,978
Telephone	3,308	3,151
Total administrative expenses	20,111	19,629
Total operating expenses	1,070,091	994,923
Earnings from operations	149,717	69,571
Other income (expense)		
Interest earned	3,766	2,366
Interest expense	(24,439)	(25,623)
Total other expense	(20,673)	(23,257)
Change in net assets-unrestricted	129,044	46,314
Net assets-unrestricted, at beginning of year	3,609,860	3,563,546
Net assets-unrestricted, at end of year	$ 3,738,904	$ 3,609,860

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

Butler County Rural Water District No. 6
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets-unrestricted	$ 129,044	$ 46,314
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	132,913	128,025
Changes in:		
Accounts receivable - customers	4,464	(12,445)
Inventory - materials	(2,031)	980
Accrued Interest Receivable	-	1,696
Accounts payable - operating	909	5,413
Unearned revenue	10,500	(6,900)
Net cash provided by operating activities	275,799	163,083
Cash flows from investing activities		
Principal received on notes receivable	4,582	23,387
Purchase of property assets	(61,655)	(64,058)
Net cash provided by (used in) investing activities	(57,073)	(40,671)
Cash flows from financing activities		
Repayment of bond	(62,115)	(60,713)
Net cash used by financing activities	(62,115)	(60,713)
Net increase in cash and cash equivalents	156,611	61,699
Cash and cash equivalents at beginning of year	1,577,685	1,515,986
Cash and cash equivalents at end of year	$ 1,734,296	$ 1,577,685

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

Butler County Rural Water District No. 6
Notes to Financial Statements
December 31, 2023 and 2022

Note 1. Summary of Significant Accounting Policies

Nature of Operations
The Rural Water District (District) was established as a tax-exempt organization to acquire water and water rights and to build and acquire pipelines for the purpose of furnishing water to owners and occupants of land located within the district. The total customers as of December 31, 2023 and 2022 were 1,011 and 1,000, respectively.

Basis of Reporting
The District has established a system of accounting to reflect compliance with the applicable laws of the State of Kansas. The accounts used are accounted for as an enterprise fund since it is the stated intent that costs of providing water service to benefit units on a continuing basis be financed or recovered primarily through user charges. Accordingly, the District prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by Financial Accounting Standards Board Accounting Standards Codification (FASB ASC).

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense during the reporting period. Actual results could differ from those estimates.

Cash and Cash equivalents
For purposes of reporting cash flows, cash includes cash deposited in banks and money market accounts. Cash equivalents include all highly liquid debt instruments purchased with a maturity of three months or less. There were no such cash equivalents at December 31, 2023 and 2022.

Accounts Receivable from Members
Accounts receivables arise from the sale of water and are stated at the unpaid balance. There is no interest charge on unpaid balances. The District considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charge to operations when that determination is made.

Notes Receivable
Notes receivable are stated at unpaid principle balances and interest is recognized as earned.

Inventory
Inventory consists of materials and meters not yet placed into service and are stated at the lower of cost or market.

Property, Equipment and Depreciation
Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

Note 1. Summary of Significant Accounting Policies *(Continued)*

Unearned Revenue
Proceeds received from the sale of meters and line extensions are not recognized as revenue until the District has set the meters and completed line extensions.

Classification of Net Assets
The financial statements of the District have been prepared in accordance GAAP, which requires the District to report information regarding its financial position and activities according to the following net asset classifications:

- Without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the District. These net assets may be used at the discretion of the District's management and the Board of Trustees.
- With donor restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the District, or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Revenue that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions.
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Revenue Recognition - Water
The District treats the transfer of water to its customers as a single performance obligation as the provision of water is substantially the same and has the same pattern of transfer to its customers. Therefore, revenue is recognized on a monthly basis as the District invoices its customers based upon actual water usage.

Amortization
Issuance costs of bonds payable are amortized under the straight-line method of the repayment terms of the bond. The unamortized issuance costs are netted against the payable balance. Amortization expense is included in interest expense.

Functional Allocation of Expenses
The costs of providing the District's activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated to the program services and supporting services benefited.

Income Tax
The District is a Kansas Municipality and is not required to file Federal or State income tax returns.

Note 2. Notes receivable

The following is a summary of notes receivable at December 31, 2023 and 2022:

	2023	2022
Note receivable from the City of Leon originating in 1986, for its water system connection charge. The note is due in monthly installments of $423 through June 2025, including interest at the rate of 5%.	$ 7,452	$ 12,034

The scheduled receipt of interest and principal as of December 31, 2023 are as follows:

	Interest	Principal	Total
2024	$ 263	$ 4,816	$ 5,079
2025	40	2,636	2,676
	$ 303	$ 7,452	$ 7,755

The notes receivable was considered to be current as of December 31, 2023 and 2022.

Note 3. Loan payable

The District has a loan payable to the Kansas Department Health and Environment (KDHE). The District must make semi-annual payments of principal and interest, of $45,429. As of December 31, 2023 and 2022, the loan payable balance consisted of the following:

	2023	2022
Principal balance of loan payable	$ 1,182,519	$ 1,245,581
Origination costs	29,386	29,386
Accumulated amortization of origination costs	(19,617)	(18,670)
Net origination costs	9,769	10,716
	$ 1,172,750	$ 1,234,865

Future payments required at December 31, 2023 are as follows:

	Interest	Principal	Total
2024	$ 26,362	$ 64,496	$ 90,858
2025	24,897	65,961	90,858
2026	23,397	67,461	90,858
2027	23,397	67,461	90,858
2028 and thereafter	127,733	917,140	1,044,873
	$ 225,786	$ 1,182,519	$ 1,408,305

Note 3. Loan payable (continued)

The District has a loan agreement with the State, which includes certain restrictive covenants, including a debt service coverage ratio. The District was in compliance with the debt service coverage ratio as of December 31, 2023 and 2022. In the Event of Default, KDHE may enforce the performance or observance of any obligation or agreement of KDHE including, but not limited to, cancellation of the Loan Agreement and acceleration of the remaining schedule principal payments.

As part of the loan agreement with the State, a reserve account has been established with the State and funded with proceeds from the loan. The reserve account will be used to prevent default on the loan in the event the District is unable to make scheduled payments on the loan. The balance of this fund shall not be less than 10% of the original loan amount. The reserve fund has been invested by the State with the earnings to be applied to future loan repayments made by the District. As of December 31, 2023 and 2022, the balance of the reserve account was $148,247.

Note 4. Operating lease agreement

In January 2019, the District signed a six-year lease agreement for office space. Future minimum rental payments required under the operating lease are as follows:

	Amount
2024	$ 7,200

Rent expense was $7,200 and $7,200 for the years ended December 31, 2023 and 2022, respectively.

Note 5. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, and injuries to employees. The District manages these various risks of loss through insurance policies through Employers Mutual Casualty Company. See supplemental schedule for details of the various insurance policies.

Note 6. Compliance with Kansas Statutes

References made herein to the statutes are not intended as interpretations 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 District. There were no apparent statutory violations during the years ended December 31, 2023 and 2022.

Note 7. Concentrations and Risks

Over 90% of the District's water is purchased from the City of El Dorado, Kansas.

The District's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. The District places its cash in a high-quality credit institution. At times, such cash and cash equivalents may be in excess of the FDIC insurance limit.

The District is subject to annexation in part or in whole by other municipalities.

Note 8. Subsequent Events

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure through May 6, 2024, the date the financial statements were made available to be issued.

SUPPLEMENTARY INFORMATION

BUTLER COUNTY RURAL WATER DISTRICT No. 6
SCHEDULE OF INSURANCE COVERAGE
December 31, 2023

Insurer: Insurance Center, Inc.
Annual Premium: $34,034
Policy Expires: 5/20/2024

Coverage	Limits
General Liability	
General Aggregate, Other Than Products	$2,000,000
General Aggregate, Products and Completed Operations	$2,000,000
Personal and Advertising Injury	$1,000,000
Each Occurrence	$1,000,000
Damage to Rented Premises	$300,000
Automotive Liability	$1,000,000
Medical Expense Any One Person	$10,000
Property	
Water Towers (100% Co-insurance, $5,000 Deductible, 10% on Earthquake)	$5,068,449
Pump Stations (100% Co-insurance, $5,000 Deductible, 10% on Earthquake)	$2,954,181
Buildings (100% Co-insurance, $5,000 Deductible, 10% on Earthquake)	$265,514
Remote Units (100% Co-insurance, $5,000 Deductible, 10% on Earthquake)	$170,435
Business Personal Property/Office (80% Co-insurance, $5,000 Deductible, 10% on Earthquake)	$12,466
Blanket (90% Co-insurance, $5,000 Deductible, 10% on Earthquake)	$8,462,045
Blanket: except Earthquake	$8,449,579
Inland Marine	
Generators (2), Trailers (2), Test Pump (80% Co-insurance, $250 Deductible)	$43,136
Public Officials Liability	
Aggregate For Each Policy Term	$2,000,000
Each Loss	$1,000,000
Insured Deductible Each Claim (Including Defense Expense)	$1,500
Cyber Liability	
Data Compromise Coverage – Response Expenses Limit	$50,000
Cyber Coverage – Computer Attack Limit	$100,000
Deductible	$1,500
Electronic Data Processing	
Billing Hardware & Software (80% Co-insurance, $500 Deductible)	$21,424
Workers Compensation	
Employers Liability: Each Accident	$1,000,000
Employers Liability: Disease – Policy Limit	$1,000,000
Employers Liability: Disease – Each Employee	$1,000,000
Workers Compensation: Statutory Benefit	Included
Commercial Umbrella	
Per Occurrence	$1,000,000
Annual Aggregate Limit	$1,000,000
Self-Insured Retention	$10,000
Personal and Advertising	$1,000,000