CONSOLIDATED
RURAL WATER DISTRICT #1, INC.
ANDERSON COUNTY, KANSAS

Regulatory Basis Financial Statement,
Independent Auditors' Report, and
Regulatory-Required Supplementary Information
For the Year Ended
December 31, 2021

CONSOLIDATED RURAL WATER DISTRICT #1, INC.,
ANDERSON COUNTY, KANSAS

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Diehl
Banwart
Bolton
Certified Public Accountants PA

INDEPENDENT AUDITORS' REPORT

Board of Directors and management
Consolidated Rural Water District #1, Inc.
Anderson County, Kansas

Adverse and Unmodified Opinions
We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Consolidated Rural Water District #1, Inc., Anderson County, Kansas (District), as of and for the year ended December 31, 2021 and the related notes to the financial statement.

Adverse Opinion on U.S. Generally Accepted Accounting Principles
In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2021 or changes in financial positions 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 the Consolidated Rural Water District #1, Inc., Anderson County, Kansas as of December 31, 2021 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 (GAAS) and the *Kansas Municipal Audit and Accounting Guide.* Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles
As discussed in Note 1 of the financial statement, the financial statement is prepared by the District on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide,* which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Management's Responsibility for the Financial Statements
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 to meet the financial reporting requirements of the State of Kansas. 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.

Auditor's Responsibilities for the Audit of the Financial Statement
Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted

Auditor's Responsibilities for the Audit of the Financial Statement (Continued)
in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

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

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

Report on Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The schedule of regulatory basis receipts and expenditures-actual (Schedule 1 as listed in the table of contents) is presented for 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 information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

The 2020 Actual column presented in the schedule of regulatory basis receipt and expenditures–actual (Schedule 1 as listed in the table of contents) is also presented for comparative analysis and was not a required part of the 2020 basic financial statement upon which we rendered an unmodified opinion dated February 4, 2021. The 2020 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 http://admin.ks.gov/offices/chief-financial-officer/municipal-services. Such 2020 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 2020 basic financial statement. The 2020 comparative information was subjected to the auditing procedures applied in the audit of the 2020 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 2020 basic financial statement or to the 2020 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 2020 comparative information is fairly stated in all material respects in relation to the 2020 basic financial statement as a whole, on the basis of accounting described in Note 1.

Diehl, Banwart, Bolton, CPAs, PA

DIEHL, BANWART, BOLTON, CPAs PA

February 9, 2022
Fort Scott, Kansas

CONSOLIDATED RURAL WATER DISTRICT #1, INC.
ANDERSON COUNTY, KANSAS
Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2021

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
Business Funds:						
Water Utility	$1,569,437.51	$874,045.38	$703,076.35	$1,740,406.54	$30,424.42	$1,770,830.96

Cash in bank - Operating checking account:	
Unrestricted Operating	$1,108,554.68
Restricted Principal and Interest	90,000.00
Cash in bank - savings	
Unrestricted Operating	269,548.24
Restricted Principal and Interest	20,000.00
Cash in bank - Capital Improvements	84,642.87
Certificates of Deposit:	
Unrestricted Operating	58,085.17
Debt Service Reserve	140,000.00
Totals	$1,770,830.96

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

CONSOLIDATED RURAL WATER DISTRICT #1, INC.
ANDERSON COUNTY, KANSAS

Notes to Financial Statement
For the Year Ended December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement of Consolidated Rural Water District #1, Inc., Anderson County, Kansas (the District) has been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Kansas Municipal Audit and Accounting Guide (KMAAG) as approved by the Director of the Kansas Division of Accounts and Reports establish the guidelines for the regulatory basis of accounting in the State of Kansas. The more significant of the District's accounting policies follow.

Nature of Organization: The District is located in Anderson County, Kansas. The Anderson County Rural Water District #6, Inc., was organized in the late 1970's to provide water to residents of rural Anderson County. The Municipality began purchasing and selling water in March 1988. In 2004, Anderson RWD #6 consolidated with Anderson RWD #2 to form the Consolidated Rural Water District. The Municipality purchases treated water from the City of Garnett, Kansas (the City) and Public Wholesale Water Supply District #13 (PWWSD #13), and sells the water to approximately 733 customers as of December 31. To continue serving its patrons, the District is dependent upon the City and PWWSD #13 to provide adequate, reasonably priced water. All water sales are made to residents in the area of the District. Accordingly, the District's operations are dependent upon the economic conditions of the area.

Financial Reporting Entity
The District is a municipal corporation governed by an elected nine member council. The financial statement presents Consolidated Rural Water District #1, Inc., Anderson County, Kansas (primary government). There are no separate related municipal entities which should be accounted for in the District's financial statement.

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

Regulatory Basis Fund Types
The following types of funds comprise the financial activities of the District:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the District to use the regulatory basis of accounting.

Budgetary Information
Kansas statutes do not require budgets for rural water districts.

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

Compensated Absences
The District does not provide sick or vacation benefits beyond the year earned.

Income Taxes: The District is recognized by the Internal Revenue Service as a not-for-profit municipality corporation, and is exempt from Federal and State income taxes. Accordingly, this financial statement does not include a provision for income taxes.

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

3. CASH, INVESTMENTS AND DEPOSITS WITH FINANCIAL INSTITUTIONS

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

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

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

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The District does not have any "peak periods" designated.

At December 31, 2021 the District's carrying amount of deposits was $1,770,830.96 and the bank balance was $1,756,473.13. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, $250,000.00 was covered by federal depository insurance, $1,506,473.13 was collateralized with securities totaling $1,510,064.00 held by the pledging financial institutions' agents in the District's name.

4. BENEFIT UNIT DEPOSITS

Customers of the District are required to pay a deposit for a benefit unit prior to connecting to a rural water line. In 2021 there were nine new benefit units added totaling $40,000.

5. 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 manages these risks of loss by carrying various commercial insurance policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

6. FIXED ASSETS

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

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

Machinery	7 Years
Office Equipment	5 Years
Plant and Equipment	10 to 50 Years

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

Fixed assets changed for the year as follows:

Fixed Assets	Beginning Balance	Additions	Adjustments	Ending Balance
Materials & Construction	$ 4,214,604.20	$ -	$ -	$ 4,214,604.20
Engineering Fees	214,030.04	-	-	214,030.04
Legal & Title	54,791.47	-	-	54,791.47
Easements	21,752.50	-	-	21,752.50
Capitalized Interest	33,974.07	-	-	33,974.07
Office Equipment	49,077.68	-	-	49,077.68
Anderson RWD2		-	-	
Plant and Improvement	1,260,673.31	-	-	1,260,673.31
Equipment	144,413.21	-	-	144,413.21
	$ 5,993,316.48	$ -	$ -	$ 5,993,316.48
Accumulated Depreciation				
Anderson Consolidated RWD 1	$ 2,704,864.19	$ 116,203.10	$ -	$ 2,821,067.29
Anderson RWD2	803,822.95	31,516.83	-	835,339.78
Totals	$ 3,508,687.14	$ 147,719.93	$ -	$ 3,656,407.07

7. LONG-TERM DEBT

Changes in long-term liabilities for the District for the year ended December 31, 2021 were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	
Revenue Bonds					
Water Utility Series 2017	3.6-4.9%	5/3/2017	$ 650,000	6/1/2022	
Water Utility Series 2010	1.5-4.0%	2/25/2010	625,000	12/1/2022	
	Balances		Reductions/	Balances	
	Beginning	Additions/	Principal	End	Interest
Issue	of Year	New Debt	Paid	of Year	Paid
Revenue Bonds					
Water Utility Series 2010	$ 125,000.00	$ -	$ -	$ 125,000.00	$ 5,000.00
Water Utility Series 2017	220,000.00	-	110,000.00	110,000.00	3,575.00
Total Long Term Debt	$ 345,000.00	$ -	$ 110,000.00	$ 235,000.00	$ 8,575.00

Current maturities of long-term debt and interest for the next five years and in five-year increments through maturity are as follows:

December 31,	PRINCIPAL	INTEREST	TOTAL
2022	$ 235,000.00	$ 6,237.50	$ 241,237.50
TOTAL	$ 235,000.00	$ 6,237.50	$ 241,237.50

8. COMPLIANCE WITH BOND COVENANTS

The District's Series 2017 and 2010 water system revenue bonds contain the following covenants:

a) There shall be transferred to the principal and interest account a pro-rata portion of the amount necessary to pay the next scheduled debt service payment.

b) There shall be maintained in the reserve account $140,000.00.

8. COMPLIANCE WITH BOND COVENANTS (Continued)

c) As of December 31, 2021, the required and actual balances were as follows:

	REQUIRED	ACTUAL
Principal & Interest	$ 85,172.92	$ 90,000.00
Reserve account	140,000.00	140,000.00
	$ 225,172.42	$ 230,000.00

d) The Municipality shall charge fees sufficient to pay the cost of operations, maintenance, improvements and debt service as well as maintain reserves. Net revenues must be at least 125% of the current year's debt service requirement. For the year ended December 31, 2021, net revenues compared to debt service was as follows:

Net Revenues	$289,544.03
Current Year Debt Service	$118,500.00
Percent Covered	244.19%

e) The District served 747 units on December 31, 2021.

9. ECONOMIC DEPENDENCY

The District purchases water for resale from the City of Garnett, Kansas and Public Wholesale Water Supply District #13. Water purchases for 2020 were as follows:

City of Garnett	$ 149,775.95
PWWSD #13	158,936.05
Total	$ 308,712.00

10. OTHER LONG-TERM OBLIGATIONS

The District entered into water purchase contract with the City of Garnett, Kansas on August 10, 1983 to purchase at least 1,200,000 gallons of water a month from the City for 40 years.

The District also entered into a water purchase contract with PWWSD #13 to purchase at least 1,600,000 gallons of water per month for 40 years, beginning in November 1997.

11. RETIREMENT PLANS

The District established in 2003 a SEP retirement plan that covers both employees of the District. The District contributes a percentage of the employees' compensation. Contributions for 2020 totaled $8,477.67.

12. SUBSEQUENT EVENTS

Management has evaluated events and transactions occurring subsequent to December 31, 2021 through February 9, 2022, the date of the financial statement. During this period, there were no subsequent events requiring recognition in the financial statements or disclosure in the notes to the financial statement.

REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION

CONSOLIDATED RURAL WATER DISTRICT #1, INC.
ANDERSON COUNTY, KANSAS
WATER UTILITY FUND
Schedule of Receipts and Expenditures - Actual - Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2020 Actual	2021 Actual
Receipts		
Operating Receipts		
Metered water sales	$ 749,166.64	$ 798,363.54
Nonoperating Receipts		
Interest income	30,579.33	32,251.84
Miscellaneous income	3,438.00	3,430.00
Benefit Unit deposits	45,000.00	40,000.00
Total Receipts	828,183.97	874,045.38
Expenditures		
Operating Expenditures		
Water Purchased	286,928.75	308,712.00
Repairs and maintenance	33,178.08	71,232.33
Operating supplies	6,672.31	7,447.11
Meter readers	8,943.63	8,261.87
Utilities and telephone	11,189.48	13,810.92
Office supplies	7,190.34	6,935.38
Insurance	8,634.00	10,108.00
Salaries	103,346.39	106,740.70
Payroll taxes	8,288.85	8,292.24
Retirement plan payments	6,330.72	8,477.67
Legal and accounting	3,310.00	3,310.00
Travel	25,172.42	27,391.50
Sales taxes and fees paid	3,099.59	3,130.25
Miscellaneous expense	52.12	651.38
Nonoperating Expenditures		
Debt Service		
Principal paid	165,000.00	110,000.00
Interest paid	12,727.50	8,575.00
Capital Outlays	38,900.00	-
Total Expenditures	728,964.18	703,076.35
Receipts Over (Under) Expenditures	99,219.79	170,969.03
Unencumbered Cash, Beginning	1,470,217.72	1,569,437.51
Unencumbered Cash, Ending	$ 1,569,437.51	$ 1,740,406.54