# Rural Water District No. 2, Dickinson County, Kansas

## Financial Statements
## As of December 31, 2021 and 2020
## and For the Years Then Ended

**With Report by Independent Auditors**

KIENTZ & PENICK
CPAs, LLC

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KIENTZ & PENICK
CPAs, LLC

**To the Board of Directors of**
Rural Water District No. 2 Dickinson County, Kansas
804 S. Buckeye
Abilene, KS 67410

June 22, 2022

## Independent Auditor's Report

### Opinion

We have audited the accompanying financial statements of the business-type activities of Rural Water District No. 2, Dickinson County (the District), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of December 31, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described below in the *Auditor's Responsibilities for the Audit of the Financial Statements* 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 audit opinion.

### Other Matters

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basis financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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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 within one year after the date that the financial statements are available to be 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 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.

Kientz & Penick, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

| | 2021 | 2020 |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 727,323 | $ 601,043 |
| Accounts receivable | 54,397 | 55,670 |
| Inventory | 28,736 | 37,781 |
| **Total Current Assets** | 810,456 | 694,494 |
| **Noncurrent Assets** | | |
| Capital assets, net | 2,542,637 | 2,617,158 |
| Restricted certificate of deposit – bond reserve | 34,719 | 34,098 |
| Restricted cash equivalent – loan reserve | 103,772 | 103,772 |
| **Total Noncurrent Assets** | 2,681,128 | 2,755,028 |
| **Total Assets** | $ 3,491,584 | $ 3,449,522 |
| **Liabilities and Net Position** | | |
| **Current Liabilities** | | |
| Accounts payable | $ 6,433 | $ - |
| Other accrued liabilities | 17,389 | 15,736 |
| Current portion of bond and loan payables | 62,214 | 61,087 |
| **Total Current Liabilities** | 86,036 | 76,823 |
| **Noncurrent Liabilities** | | |
| Bond payable, net of bond discount, net of current portion | 258,875 | 273,418 |
| Loan payable, net of current portion | 729,814 | 777,028 |
| **Total Noncurrent Liabilities** | 988,689 | 1,050,446 |
| **Total Liabilities** | 1,074,725 | 1,127,269 |
| **Net Position** | | |
| Net investment in capital assets | 1,491,734 | 1,505,625 |
| Restricted – bond reserve | 34,719 | 34,098 |
| Restricted – loan reserve | 103,772 | 103,772 |
| Unrestricted | 786,634 | 678,758 |
| **Total Net Position** | 2,416,859 | 2,322,253 |
| **Total Liabilities and Net Position** | $ 3,491,584 | $ 3,449,522 |

| | 2021 | 2020 |
|---|---|---|
| **Operating Revenues** | | |
| Water sales | $ 308,520 | $ 298,606 |
| Monthly minimums | 366,833 | 366,248 |
| | 675,353 | 664,854 |
| **Operating Expenses** | | |
| Salaries | 163,032 | 168,219 |
| Payroll expense | 12,917 | 13,676 |
| Employee benefits | 4,739 | 4,092 |
| Repairs and maintenance | 86,191 | 81,174 |
| Utilities | 26,077 | 22,579 |
| Water purchased | 90,318 | 87,207 |
| Office expense | 8,778 | 13,976 |
| Depreciation and amortization | 166,493 | 166,408 |
| Insurance | 23,583 | 19,169 |
| Lab expense | 1,491 | 1,310 |
| Clean water fee | 1,489 | 1,366 |
| Miscellaneous expense | 893 | 1,366 |
| Profession fees | 16,375 | 11,492 |
| Training | 102 | 566 |
| **Total Operating Expenses** | 602,478 | 592,600 |
| **Net Operating Income** | 72,875 | 72,254 |
| **Nonoperating Revenue (Expense)** | | |
| Interest income | 1,509 | 2,024 |
| Other charges | 13,478 | 13,213 |
| Gain on disposal of assets | 17,174 | - |
| Interest expense | (27,453) | (28,711) |
| Debt service fee | (2,737) | (1,706) |
| Other expense | (240) | (160) |
| **Total Nonoperating Income (Expense)** | 1,731 | (15,340) |
| **Net Income Before Contributions** | 74,606 | 56,914 |
| **Contributions** | | |
| Capital contributions from members | 20,000 | 10,000 |
| **Change in Net Position** | 94,606 | 66,914 |
| **Net Position, Beginning** | 2,322,253 | 2,255,339 |
| **Net Position, Ending** | $ 2,416,859 | $ 2,322,253 |

| | 2021 | 2020 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Cash received from customers | $ 676,626 | $ 662,776 |
| Cash paid to suppliers | (220,992) | (277,483) |
| Cash paid to employees | (180,688) | (168,219) |
| **Net Cash Provided by Operating Activities** | 274,946 | 217,074 |
| **Cash Flows from Capital and Related Financing Activities** | | |
| Purchase of capital assets | (91,515) | (22,176) |
| Payments on long term debt | (61,087) | (59,531) |
| Other capital activities | 13,238 | 13,053 |
| Change in reserves | (621) | (612) |
| Interest and service fees paid on bond and loan payables | (30,190) | (30,417) |
| Capital contributions | 20,000 | 10,000 |
| **Net Cash Used in Capital and Related Financing Activities** | (150,175) | (89,683) |
| **Cash Flows from Investing Activities** | | |
| Interest income | 1,509 | 2,024 |
| **Net Increase in Cash and Cash Equivalents** | 126,280 | 129,415 |
| **Cash and Cash Equivalents – Beginning of the Year** | 601,043 | 471,628 |
| **Cash and Cash Equivalents – End of the Year** | $ 727,323 | $ 601,043 |
| **Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities** | | |
| Net operating income | $ 72,875 | $ 72,254 |
| **Adjustments to reconcile net operating income to net cash provided by operating activities** | | |
| Depreciation and amortization | 166,493 | 166,408 |
| Gain on disposal of assets | 17,174 | - |
| Decrease (increase) in accounts receivable | 1,273 | (2,078) |
| Decrease (increase) in inventory | 9,045 | (2,877) |
| Increase (decrease) in accounts payable | 6,433 | (9,781) |
| Increase (decrease) in other accrued liabilities | 1,653 | (6,852) |
| **Net Cash Provided by Operating Activities** | $ 274,946 | $ 217,074 |

## Note 1: Summary of Significant Accounting Policies

### Organization

The Rural Water District No. 2, Dickinson County, Kansas (the District), was declared incorporated by the Board of Commissioners of Dickinson County, Kansas, on April 21, 1972 as a quasi-municipal Corporation under Kansas Statute K.S.A. 82a-612 et seq, for the purpose of providing a water supply system for the landowners within the areas of the District. The District is governed by a seven member board of directors. The following is a summary of the District's significant accounting policies.

### The Financial Reporting Entity

The financial reporting entity of the District is comprised of the primary government, the District.

The accompanying financial statements present the activities and water system operating fund of the District. The District has considered all potential component units for which the district is financially accountable and other organizations for which the nature and significance of their relationships with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District.

Based on these criteria, there are no component units to be included within the District as a reporting entity.

### Basis of Presentation

The District's basic financial statements are presented on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The District reports the following proprietary (business-type enterprise) fund:

*Water Fund*. This business-type enterprise fund accounts for the operation and maintenance of the water system of the District. All activities and balances of the entity are accounted for in this fund.

### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

*Proprietary Fund Financial Statements*. The proprietary fund financial statements are reported using the economic resources measurement focus. The proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include special assessments, grants, entitlements, and donations.

Enterprise funds are used to account for operations operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

**Note 1: Summary of Significant Accounting Policies (continued)**

**Cash and Cash Equivalents**

Cash and cash equivalents include investments in money market and checking accounts.

**Accounts Receivable**

Accounts receivable include amounts due from customers for water use. All receivables are current and, therefore, due within one year.

**Allowance for Doubtful Accounts**

The District bills customers monthly. Invoices not paid by the 16th day of the month incur a late fee. A notice to disconnect is sent if the invoice remains unpaid. As most customers pay before they are disconnected and there have been no amounts written off in the past three years. Management has evaluated all receivables and determined that the allowance for doubtful accounts should be $0 as of December 31, 2021 and 2020.

**Inventory**

Inventory is valued at the lower of cost or market and consists of pipe, valves, meters and other items needed to repair or add water lines.

**Capital Assets**

Capital assets purchased or built are capitalized at cost or estimated historical cost if actual cost is unavailable. The District's policy is to capitalize all assets with a cost of $1,000 or more and a useful life exceeding one year. Depreciation is recorded based on the estimated useful life of each asset using the straight-line method. The estimated useful lives of assets are as follows: water distribution system – 40 to 50 years, buildings – 20 to 40 years, machinery and equipment – 5 to 20 years, vehicles – 5 to 7 years, office equipment – 5 to 10 years.

**Net Position**

Net position is comprised the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is classified in the following three components:

*Net Investment in Capital Assets* – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

*Restricted* – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted* – This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets."

**Income Taxes**

The District is a quasi-municipality and, as such, it is not subject to income taxes.

**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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Note 1: Summary of Significant Accounting Policies (continued)**

**Operating Revenues and Expenses**

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from non-exchange transactions or ancillary activities.

**Capital Contributions**

Assets contributed by new benefit units are recorded as capital contributions when received. When a benefit unit is returned, operating revenue is recognized for the capital contribution that was originally recorded.

**Budgetary Information**

Kansas statutes provide an exemption for the District to legally adopt a budget for the fund types used by the District. The budget established by the District is for management use only. Expenditures are controlled through internal spending limits monitored by the board of directors.

**Subsequent Events**

Management has evaluated subsequent events through June 22, 2022 which is the date the financial statements were available to be issued.

**Reclassification**

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

**Note 2: 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 fund 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.

*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 the District. Kansas statutes require the District's deposit 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%.

*December 31, 2021*

On December 31, 2021, the District's carrying amount of deposits was $762,042 and the bank balance was $763,175. The bank balance was held by one bank. Of the bank balance, $250,000 was covered by federal depository insurance and $513,175 was collateralized with securities held by the pledging financial institution's agents in the District's name. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: The District, the pledging bank, and the independent third-party bank holding the pledged securities.

**Note 2: Deposits and Investments (Continued)**

*December 31, 2020*

On December 31, 2020, the District's carrying amount of deposits was $635,141 and the bank balance was $636,292. The bank balance was held by one bank. Of the bank balance, $250,000 was covered by federal depository insurance and $60,083 was collateralized with securities held by the pledging financial institution's agents in the District's name. The remaining $326,209 was unsecured. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: The District, the pledging bank, and the independent third-party bank holding the pledged securities.

**Note 3: Capital Assets**

Capital asset activity for the year ended December 31, 2021 was as follows:

| | Balance on December 31, 2020 | Additions | Retirements | Balance on December 31, 2021 |
|---|---|---|---|---|
| **Nondepreciable Capital Assets** | | | | |
| Construction in progress | $ 2,332 | $ 1,483 | $ 2,332 | $ 1,483 |
| **Depreciable Capital Assets** | | | | |
| Water distribution system | 5,793,700 | 9,495 | - | 5,803,195 |
| Buildings | 240,493 | - | - | 240,493 |
| Machinery and equipment | 84,299 | 34,653 | - | 118,952 |
| Vehicles | 96,154 | 60,924 | 40,840 | 116,238 |
| Office equipment | 28,231 | - | - | 28,231 |
| **Total Depreciable Capital Assets** | 6,242,877 | 105,072 | 40,840 | 6,307,109 |
| **Cost Basis of Capital Assets** | 6,245,209 | 106,555 | 43,172 | 6,308,592 |
| Less: Accumulated Depreciation | 3,628,051 | 166,493 | 28,589 | 3,765,955 |
| **Capital Assets, Net** | $ 2,617,158 | $ (59,938) | $ 14,583 | $ 2,542,637 |

Capital asset activity for the year ended December 31, 2020 was as follows:

| | Balance on December 31, 2019 | Additions | Retirements | Balance on December 31, 2020 |
|---|---|---|---|---|
| **Nondepreciable Capital Assets** | | | | |
| Construction in progress | $ - | $ 2,332 | $ - | $ 2,332 |
| **Depreciable Capital Assets** | | | | |
| Water distribution system | 5,788,030 | 5,670 | - | 5,793,700 |
| Buildings | 235,808 | 4,685 | - | 240,493 |
| Machinery and equipment | 79,910 | 4,389 | - | 84,299 |
| Vehicles | 91,054 | 5,100 | - | 96,154 |
| Office equipment | 28,231 | - | - | 28,231 |
| **Total Depreciable Capital Assets** | 6,223,033 | 19,844 | - | 6,242,877 |
| **Cost Basis of Capital Assets** | 6,223,033 | 22,176 | - | 6,245,209 |
| Less: Accumulated Depreciation | 3,461,643 | 166,408 | - | 3,628,051 |
| **Capital Assets, Net** | $ 2,761,390 | $ (144,232) | $ - | $ 2,617,158 |

**Note 4: Long-Term Debt**

| | Beginning Balance | Additions | Retirements | Ending Balance |
|---|---|---|---|---|
| Water Revenue Bonds | $ 295,000 | $ - | $ 15,000 | $ 280,000 |
| State Water Supply Loan | 823,115 | - | 46,087 | 777,028 |
| Total Debt | $ 1,118,115 | $ - | $ 61,087 | $ 1,057,028 |

Long-term debt consists of the following on December 31, 2021 and 2020:

| | 2021 | 2020 |
|---|---|---|
| **Water Revenue Bonds.** On June 15, 2012, the District issued $420,000 in Kansas Rural Water Finance Authority Revenue Bonds, Series E 2012 with effective interest rates ranging from 1.00% to 4.2%. The new bond issue paid-off the outstanding note with the United States Department of Agriculture, Rural Development. Interest payments are due semi-annually on June 1 and December 1. Principal payments are due starting on December 1, 2012 and maturing in 2035. | $ 280,000 | $ 295,000 |
| **Kansas Water Supply Loan.** On December 21, 2011, the District entered into a Loan Agreement with the Kansas Department of Health and Environment (KDHE) for a Kansas Public Water Supply Loan not to exceed $1,100,742, for the purpose of furnishing a public water supply project. Funding of the loan was provided by the Environmental Protection Agency through a Capitalization Grant for Drinking Water State Revolving Fund. Interest on the loan is 2.43% per annum. The first amendment to the loan agreement was effective September 16, 2014 and established the future payment schedule of the loan. The second amendment to the loan agreement was effective September 2, 2015 and decreased the original loan amount by $63,018 bringing the new loan balance to $1,037,724 and established a revised future payment schedule. Interest payments are due semi-annually on February 1 and August 1 and principal payments are due starting on February 1, 2016 and maturing in 2035. | 777,028 | 823,115 |
| **TOTAL LONG-TERM DEBT** | 1,057,028 | 1,118,115 |
| Less: Current portion of long-term debt | (62,214) | (61,087) |
| Less: Unamortized bond discount | (6,125) | (6,582) |
| **Net Long-Term Debt** | $ 988,689 | $ 1,050,446 |

Total interest incurred and expensed in 2021 and 2020 was $27,453 and $28,711, respectively.

**Note 4: Long-Term Debt (Continued)**

Future maturities of long-term debt are as follows:

| Year Ended December 31 | Principal | Interest | Service Fee | Total |
|---|---|---|---|---|
| 2022 | $ 62,214 | $ 26,088 | $ 2,679 | $ 90,981 |
| 2023 | 63,368 | 24,725 | 2,512 | 90,605 |
| 2024 | 64,550 | 23,337 | 2,342 | 90,229 |
| 2025 | 65,762 | 21,851 | 2,167 | 89,780 |
| 2026 | 67,003 | 20,339 | 1,989 | 89,331 |
| 2027-2031 | 379,718 | 75,479 | 7,106 | 462,303 |
| 2032-2035 | 354,413 | 22,507 | 1,992 | 378,912 |
| **Total** | $ 1,057,028 | $ 214,326 | $ 20,787 | $ 1,292,141 |

The Series 2012 bonds were issued for $420,000, which included a $10,500 discount. This discount is amortized over the life of the bonds using the straight-line method because the effective yield method was determined to not be significantly different. There was $457 of bond amortization expense for each of the years ending December 31, 2021 and 2020.

**Note 5: Debt Service Ratio**

The bond issue covenants require the District to maintain a debt service ratio of at least 1.25.

The following represents the device ratio calculation for the years ending December 31:

| | 2021 | 2020 |
|---|---|---|
| Change in net position | $ 94,606 | $ 66,914 |
| Interest expense | 27,453 | 28,711 |
| Depreciation | 166,493 | 166,408 |
| Less: Capital contributions | (20,000) | (10,000) |
| **Total Revenue Available for Debt Service** | $ 268,552 | $ 252,033 |
| | | |
| Debt service payments | $ 90,980 | $ 91,655 |
| Debt service ratio | 2.95 | 2.75 |

**Note 6: Risk Management**

The District is exposed to various risks of loss related to torts; eft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To insure against risk of these types of losses, the District has purchased commercial insurance coverage from EMC Companies through Anderson Peck Agency Inc. in Topeka, Kansas. Settled claims resulting from these risks have not exceeded commercial coverage in the past three fiscal years.

**Note 7: Retirement Plan**

The District provides annuities for its eligible full-time employees. The District contributes 3% of the employee's salary to their annuity. If employment is terminated, the annuity remains the property of the employee. In 2021 and 2020, the District contributed $3,439 and $4,092 respectively to the retirement plan.

**Note 8: Compensated Absences Policy**

Sick Leave: The District provides sick leave for their eligible full-time employees at a rate of two days per month. These days may be carried forward to future years up to a maximum of 90 days. If the employment is terminated, the sick leave is lost. However, an employee with a 90-day accumulation can elect upon retirement to use sick leave to retire one month early with pay.

**Note 8: Compensated Absences Policy (Continued)**

Vacation Leave: Upon completion of one year of continuous employment, a regular full-time employee earns vacation days as follows: After one year, five days are earned; after two years, ten days are earned; and, after three years, ten days plus one day for each year of employment after the third year. Employees cannot earn more than three weeks of vacation (15 days per year). A maximum of one-half of earned vacation can be carried over to the following calendar year. Employees are paid all earned vacation upon termination of employment. At December 31, 2021 and 2020, the value of accrued vacation was $5,476 and $4,176, respectively.