SSC CPAs, P.A.

RURAL WATER DISTRICT NO. 4

NEMAHA COUNTY, KANSAS

FINANCIAL STATEMENTS WITH
SUPPLEMENTAL INFORMATION TOGETHER
WITH INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Table of Contents

	Page Number
Independent Auditor's Report	1
Financial Statements:	
Statements of Net Position	3
Statements of Revenues, Expenses, and Changes in Net Position	4
Statements of Cash Flows	5
Notes to the Financial Statements	6
Supplemental Information:	
Statement of Insurance Coverage (Unaudited)	11

SSC CPAs, P.A.

Independent Auditor's Report

To the Board of Directors
Rural Water District No. 4, Nemaha County
Nemaha County, Kansas

Opinion
We have audited the accompanying financial statements of Rural Water District No. 4, Nemaha County, as of and for the year ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Rural Water District No. 4, Nemaha County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Rural Water District No. 4, Nemaha County as of December 31, 2023 and 2022, and change in net position and cash flows thereof 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 (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 Rural Water District No. 4, Nemaha County 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 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 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.

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 Rural Water District No. 4, Nemaha County's ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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 Rural Water District No. 4, Nemaha County'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 Rural Water District No. 4, Nemaha County'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.

Required Supplementary Information

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 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.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Rural Water District No. 4, Nemaha County's basic financial statements. The supplemental information on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

SSC CPAs, P.A.

SSC CPAs, P.A.
Topeka, Kansas

February 16, 2024

RURAL WATER DISTRICT NO. 4
NEMAHA COUNTY, KANSAS
STATEMENTS OF NET POSITION

December 31,	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 243,967	$ 392,906
Certificates of deposit	370,959	212,358
Accounts receivable	21,279	21,719
Total current assets	636,205	626,983
Noncurrent assets		
Debt reserve funds	137,449	133,727
Capital assets, net	1,889,864	1,947,155
Total noncurrent assets	2,027,313	2,080,882
TOTAL ASSETS	$ 2,663,518	$ 2,707,865
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable and accrued liabilities	$ 3,250	$ 2,223
Bonds payable - current portion	65,000	60,000
Total current liabilities	68,250	62,223
Noncurrent liabilities		
Bonds payable - noncurrent portion	1,035,000	1,100,000
Total liabilities	1,103,250	1,162,223
Net position		
Invested in capital assets, net of related debt	789,864	787,155
Restricted	137,449	133,727
Unrestricted	632,955	624,759
Total net position	1,560,268	1,545,641
TOTAL LIABILITIES AND NET POSITION	$ 2,663,518	$ 2,707,864

RURAL WATER DISTRICT NO. 4
NEMAHA COUNTY, KANSAS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the years ended December 31,	2023	2022
Revenue		
Water sales	$ 289,820	$ 296,467
Refunds and late charges	5,686	5,738
Total revenue	295,506	302,205
Expenses		
Payroll expense	71,862	66,658
Depreciation	99,616	99,240
Postage	1,712	1,411
Professional fees	9,198	8,099
Insurance	10,569	9,165
Maintenance and repairs	17,717	25,056
Chemicals	8,466	8,304
Telephone	1,756	1,728
Utilities	17,187	19,827
Office and other expenses	24,253	16,588
Taxes and water protection fee	1,666	6,705
Total expenses	264,002	262,781
Operating income	31,504	39,424
Nonoperating revenue (expenses)		
Interest expense	(39,216)	(40,596)
Interest income	19,039	5,659
Total nonoperating revenue (expenses)	(20,177)	(34,937)
Income before capital contributions	11,327	4,487
Capital contributions		
Benefit units sold	3,300	9,100
Change in net position	14,627	13,587
Net position, beginning of year	1,545,641	1,532,054
Net position, end of year	$ 1,560,268	$ 1,545,641

RURAL WATER DISTRICT NO. 4
NEMAHA COUNTY, KANSAS
STATEMENTS OF CASH FLOWS

For the years ended December 31,	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 295,945	$ 301,628
Cash paid to suppliers	(91,497)	(99,466)
Cash paid for payroll expenses	(71,862)	(66,658)
NET CASH PROVIDED BY OPERATING ACTIVITIES	132,586	135,504
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest	19,039	5,659
Net change in certificates of deposit	(158,601)	(2,510)
Decrease in debt reserve funds	(3,722)	(733)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(143,284)	2,416
CASH FLOWS FROM CAPITAL ACTIVITIES AND RELATED FINANCING ACTIVITIES		
Contributions - benefit units	3,300	9,100
Increase in reimbursement receivable	-	3,216
Principal paid on long term debt	(60,000)	(60,000)
Interest paid on long term debt	(39,216)	(40,596)
Purchase of capital assets	(42,325)	-
NET CASH USED IN CAPITAL ACTIVITIES AND RELATED FINANCING ACTIVITIES	(138,241)	(88,280)
Net increase (decrease) in cash and cash equivalents	(148,939)	49,640
Cash and cash equivalents, beginning of year	392,906	343,266
Cash and cash equivalents, end of year	$ 243,967	$ 392,906
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 31,504	$ 39,424
Adjustments to reconcile operating income to: net cash provided by operating activities:		
Depreciation	99,616	99,240
(Increase) decrease in operating assets:		
Accounts receivable	439	(577)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	1,027	(2,583)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 132,586	$ 135,504

1. NATURE OF ORGANIZATION

Organization and nature of operations

Rural Water District No. 4, Nemaha County, Kansas (the "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 District began providing water to its customers in April of 1996. Total customers at December 31, 2023 and 2022 was 281 and 313 respectively. The District is not included in any other governmental "reporting entity" as defined in GASB Pronouncements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The District is a governmental organization operated as a business (proprietary) type entity. The District's financial information is accounted for using the economic resources measurement focus and the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Cash and cash equivalents

The District considers all unrestricted cash and investments with original maturities of three months or less to be cash equivalents. Debt reserve funds are not included in cash and cash equivalents.

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 the 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 expenses during the reporting period. Actual results could differ from those estimates.

Capital assets

Capital assets are recorded at cost. Assets with an economic useful life that extends beyond twelve months and was acquired or produced for a cost of more than $10,000 are capitalized. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets as follows:

Water system	40 years
Building	40 years
Office furniture and equipment	5 – 7 years

The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

Revenue recognition

Operating revenues consist of those revenues that result from the ongoing principal operations of the District and are recognized when earned. Revenues from line extensions and the sale of meters are deferred until the District has completed the line extensions and set the meters.

Accounts receivable

Accounts receivable arise from the sale of water and are stated at the unpaid balance. There is no interest charged on unpaid balances. The District considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. In the event accounts become uncollectible, they are charged

to operations at the time that determination is made.

Income taxes
The District is a tax-exempt governmental entity and is not subject to income taxes at either the Federal or State level**.**

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

Invested in Capital Assets, Net of Related Debt - 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 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 "invested in capital assets, net of related debt."

3. CAPITAL ASSETS

Capital assets, together with activity for the years ended December 31, 2023 and 2022 consisted of the following:

	December 31, 2022	Additions	Dispositions	December 31, 2023
Depreciable capital assets				
Water system	$ 3,847,054	$ 42,325	$ -	$ 3,889,379
Building	37,828	-	-	37,828
Office furniture and equipment	11,934	-	-	11,934
Total depreciable capital assets	3,896,816	42,325	-	3,939,141
Less accumulated depreciation	(1,963,779)	(99,616)	-	(2,063,395)
Depreciable capital assets, net	1,933,037	(57,291)	-	1,875,746
Nondepreciable capital assets				
Land	14,118	-	-	14,118
Nondepreciable capital assets, net	14,118	-	-	14,118
Total capital assets	$ 1,947,155	$ (57,291)	$ -	$ 1,889,864

	December 31, 2021	Additions	Dispositions	December 31, 2022
Depreciable capital assets				
Water system	$ 3,847,054	$ -	$ -	$ 3,847,054
Building	37,828	-	-	37,828
Office furniture and equipment	11,934	-	-	11,934
Total depreciable capital assets	3,896,816	-	-	3,896,816
Less accumulated depreciation	(1,864,539)	(99,240)	-	(1,963,779)
Depreciable capital assets, net	2,032,277	(99,240)	-	1,933,037
Nondepreciable capital assets				
Land	14,118	-	-	14,118
Nondepreciable capital assets, net	14,118	-	-	14,118
Total capital assets	$ 2,046,395	$ (99,240)	$ -	$ 1,947,155

Depreciation expense was $99,616 and $99,240 for the years ended December 31, 2023 and 2022, respectively.

4. LONG-TERM DEBT

Series 2012 Revenue bonds were issued in 2013 in the amount of $795,000. The average net interest rate of the bond issue is 2.42% with a final bond maturity scheduled for December 1, 2026. The bond issue funded refinancing of existing debt only. There were no additional asset purchases associated with the bond issue.

Series 2017 Revenue bonds were issued in June 2017 in the amount of $920,000. The average net interest rate of the bond issue is 3.375%. Principal payments are scheduled to commence in 2026 with a final payment due on December 1, 2037. The bond was issued to fund the construction of a new water supply and connection into the existing water distribution system.

Per the agreement, the District maintains a loan reserve account in the amount of $137,449 and $133,727 at December 31, 2023 and 2022, respectively, which is on deposit with a bank in the form of certificates of deposit.

The District has certain loan covenants within the bond resolution requiring total revenue available for debt service, as defined in the bond agreement, of at least 125% of debt requirements. This amount was 128.27% and 139.76% for the years ended December 31, 2023 and 2022, respectively.

Interest expense on long-term debt totaled $39,216 and $40,596 for the years ended December 31, 2023 and 2022, respectively.

Changes to the District's long-term debt are as follows:

	December 31, 2022 Beginning Principal Outstanding	Additions to Principal	Reductions of of Principal	December 31, 2023 Ending Principal Outstanding
Revenue Bonds:				
Series 2012	$ 240,000	$ -	$ 60,000	$ 180,000
Series 2017	920,000	-	-	920,000
Total Revenue Bonds	$ 1,160,000	$ -	$ 60,000	$ 1,100,000

	December 31, 2021 Beginning Principal Outstanding	Additions to Principal	Reductions of of Principal	December 31, 2022 Ending Principal Outstanding
Revenue Bonds:				
Series 2012	$ 300,000	$ -	$ 60,000	$ 240,000
Series 2017	920,000	-	-	920,000
Total Revenue Bonds	$ 1,220,000	$ -	$ 60,000	$ 1,160,000

The annual debt service requirements to maturity for long-term debt as of December 31, 2023 are as follows:

Year Ending December 31,	Principal	Interest
2024	$ 65,000	$ 37,656
2025	65,000	35,966
2026	65,000	34,081
2027	65,000	34,081
2028	70,000	30,231
2029-2033	390,000	117,375
2034-2037	380,000	38,600
Total	1,100,000	$ 327,990
Less current portion	65,000	
Total noncurrent portion	$ 1,035,000	

5. RETIREMENT PLAN

In June 2022 the District started a SIMPLE IRA plan covering all employees with at least a year of employment. The employees receive contributions up to a 3% match of their wages. Contributions were $1,890 and $1,365 for the years ended December 31, 2023 and 2022, respectively.

6. DEPOSITS

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

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

Custodial credit risk. 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, 2023.

At December 31, 2023, the District's carrying amount of deposits was $752,375 and the bank balance was $762,398. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, $250,000 was covered by federal depository insurance and $512,398 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

7. CONCENTRATION OF CREDIT RISK

The District is engaged in the sale of water to customers located in an area around Nemaha County, Kansas. The District grants credit to those customers and requires no collateral.

8. RISKS AND UNCERTAINTIES

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 joined together with other entities in the State to participate in Employers Mutual Insurance Corp. (EMC), a public entity risk pool currently operating as a common risk management and insurance program for the participating members.

The District pays an annual premium to EMC for its insurance coverage. The agreement to participate provides that EMC will be self-sustaining through member premiums. Additional premiums may be due if total claims for the pool are different than what has been anticipated by EMC management.

9. RELATED PARTY TRANSACTIONS

All board members and employees of the District are benefit unit owners and customers.

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 16, 2024, the date on which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

RURAL WATER DISTRICT NO. 4
NEMAHA COUNTY, KANSAS
STATEMENT OF INSURANCE COVERAGE (Unaudited)

The District's insurance policy is provided by EMC Insurance, Inc., with a premium of $8,846 and covers the period of March 20, 2023 to March 20, 2024. It provides the following coverage:

Commercial property	$	916,298
General liability		500,000/1,000,000
Linebacker		500,000/1,000,000
Crime and fidelity coverage		75,500
Workers' Compensation		500,000
Auto		500,000