Rural Water District No. 2,
Ottawa County, Kansas

Financial Statements
As of December 31, 2022 and 2021
and For the Years Then Ended

With Report by Independent Auditors

KIENTZ & PENICK
CPAs, LLC

Table of Contents

	Page
Independent Auditor's Report	1 – 2
Required Supplementary Information	
Management's Discussion and Analysis	3 – 6
Financial Statements	
Statements of Net Position	7
Statements of Revenues, Expenses and Changes in Net Position	8
Statements of Cash Flows	9
Notes to Financial Statements	10 – 16

KIENTZ & PENICK
CPAs, LLC

To the Board of Directors of
Rural Water District No. 2 Ottawa County, Kansas
4744 W. Pleasant Hill Rd.
Salina, KS 67401

May 26, 2023

Independent Auditor's Report

Opinion

We have audited the accompanying financial statements of the business-type activities of Rural Water District No. 2, Ottawa County (the District), as of and for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, 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 and the *Kansas Municipal Auditing and Accounting Guide*. 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.

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 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

Eric Kientz
CPA, CMA, CNAP
Senior Audit Partner
(785) 477-9053
Eric@KPMHK.CPA

PO Box 754
Manhattan, KS 66505

KPMHK.CPA

Taylor Penick
CPA, CNAP
Managing Partner
(785) 817-7716
Taylor@KPMHK.CPA

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.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basis financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Kientz & Penick, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Rural Water District No. 2, Ottawa County Kansas (the District)'s annual financial report presents analysis of the District's financial performance during the fiscal year ended on December 31, 2022. The **Management's Discussion and Analysis** is designed to assist the reader in focusing on the significant financial issues and activities of the District and to identify any significant changes in financial position. This information should be read and considered with the financial statements taken as a whole.

Overview of the Financial Statements

This annual report includes this **Management Discussion and Analysis**, the **Financial Statements**, the **Notes to the Financial Statements** and **Supplementary Information**.

Required Financial Statements

The financial statements of the District report information by using accrual accounting practices. These statements offer current and long-term financial information about the activities of the District. The financial statements conform to accounting principles that are generally accepted in the United States of America. The financial statements include the current and previous year's statements for comparison purposes year-to-year.

The **Statements of Net Position** include all the District's assets and liabilities and provide information about the nature and amounts of assets and obligations to the District's creditors (liabilities). This statement also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The **Statements of Revenues, Expenses and Changes in Net Position** show all the revenues and expenses for the District for the years shown. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully managed the costs through user fees and other charges, profitability, and credit worthiness.

The **Statements of Cash Flows** indicate cash receipts, cash payments, and net changes in cash. These changes result from operations, investing, and financing activities. This is simply stated as money in, money out, and money in the bank.

Notes to Financial Statements

The **Notes to Financial Statements** provide additional information that is essential to fully understand the data provided.

District Overview

In 2022, the District added 8 (eight) units, but lost (inactive or terminated) 4 units making a total of 990 units. In 2022 the District pumped 97,294,000 gallons of water and sold 75,483,000 gallons of water, resulting in an annual loss of 10.91%. The District experienced above average leaks and flushing of lines.

During 2022, the District purchased a building in Salina to be utilized as a shop and maintenance facility. The total cost of the building was approximately $135,000.

During 2021, the District applied for and was approved for a third loan from the KDHE Public Water Supply Loan Fund. A loan amount of $1,000,000 was approved to finance the construction of a new water tower on Aspen Road and the installation of radio-read meters. As of December 31, 2022, the construction of the tower had commenced, however no draws on this loan have been made.

Financial Highlights and Analysis

Statements of Net Position

The **Statements of Net Position** show the balanced financial position of assets and liabilities for the District. The change in net position is an indicator of whether the overall financial condition has improved or worsened during the year.

	As of December 31, 2022	As of December 31, 2021	Increase (Decrease)
Assets			
Current assets	$ 1,884,687	$ 2,160,118	$ (275,431)
Noncurrent assets	5,073,761	4,892,980	180,781
Total Assets	$ 6,958,448	$ 7,053,098	$ (94,650)
Liabilities and Net Position			
Liabilities			
Current liabilities	$ 306,542	$ 352,070	$ (45,528)
Noncurrent liabilities	1,682,963	1,909,152	(226,189)
Total Liabilities	1,989,505	2,261,222	(271,717)
Net Position			
Net investment in capital assets	2,649,706	2,241,839	407,867
Restricted	513,509	510,578	2,931
Unrestricted	1,805,728	2,039,459	(233,731)
Total Net Position	4,968,943	4,791,876	177,067
Total Liabilities and Net Position	$ 6,958,448	$ 7,053,098	$ (94,650)

Total Assets decreased year over year $94,650 (-1.3%), which is not a significant change from the prior year**.**

Total Liabilities decreased $226,189 (10.0%) year over year. Most of the decrease is a result of principal payments made on the bonds and the water supply loans.

Total Net Position of the District increased $177,067 (3.7%) which is not a significant change from the prior year**.**

At the end of the 2022 fiscal year the District had positive balances in all categories of **Total Net Position**.

Statements of Revenues, Expenses and Changes in Net Position

The **Statements of Revenues, Expenses and Changes in Net Position** provide insight to the nature and source of the changes from the **Statements of Net Position**.

	2022	2021	Change
Net Operating Income			
Operating revenues	$ 800,237	$ 774,231	$ 26,006
Operating expense	(716,992)	(629,929)	(87,063)
Net Operating Income	83,245	144,302	(61,057)
Nonoperating Revenue (Expense)			
Nonoperating revenues	99,293	32,008	67,285
Nonoperating expense	(45,471)	(53,171)	7,700
Total Nonoperating Income (Expense)	53,822	(21,163)	74,985
Capital Contributions	40,000	97,000	(57,000)
Increase (Decrease) in Net Position	177,067	220,139	(43,072)
Net Position – Beginning	4,791,876	4,571,737	220,139
Net Position – End	$ 4,968,943	$ 4,791,876	$ 177,067

Total operating revenues increased slightly in 2022 from 2021 ($26,006 or 3.4%).

Total Operating Expenses for the year increased by $87,063 (13.8%) year over year. Mileage (up 83%) and Insurance (up 50%) were the most significant drivers of this increase.

Overall, the change in **Net Position** for the District is an increase of $177,067 for 2022. The District's financial position is similar to its position at the end of 2021.

Statements of Cash Flows

The **Statements of Cash Flows** describe the sources of the District's cash and how that cash was spent over the year. Noncash items such as depreciation are not included in this statement. This makes the statement useful for determining the short-term viability of the District, particularly the District's ability to pay bills. As such, the **Statements of Cash Flows** show how the District has performed in managing inflows and outflows of cash.

	2022	2021	Increase (Decrease)
Cash Provided by (Used in)			
Operating activities	$ 274,770	$ 408,599	$ (133,829)
Investing activities	12,136	27,257	(15,121)
Capital and related financing activities	(538,892)	(378,198)	(160,694)
Net Increase (Decrease) in Cash and Equivalents	(251,986)	57,658	(309,644)
Cash and Equivalents – Beginning	2,101,498	2,043,840	57,658
Cash and Equivalents – End	$ 1,849,512	$ 2,101,498	$ (251,986)

The **Net Cash Provided By Operating Activities** decreased from 2021 to 2022 ($133,829 or -32.8%). **Cash received from customers** increased 5.2%, **Cash paid to suppliers** and **Cash paid to employees** increased 74.3% and 5.2% respectively. Importantly, **Net Cash Provided by Operating Activities** remained positive year over year. **Cash Flows from Investing Activities** decreased by 55.5%. **Net Cash Used in Capital and Related Financing Activities** increased by 42.5% as compared to 2021. This was a result of an increase in acquisition and construction of capital assets of $181,589.

The end of year net change of **Cash and Cash Equivalents – Ending** decreased ($251,986 or -12.0%) in 2022 as compared to 2021.

There is a section (**Reconciliation of Operating Net Income (Loss) to Net Cash)** at the bottom of the **Statements of Cash Flows** that provides a breakdown of accounts and their effects on the District's cash position.

Debt Ratio

The State of Kansas requires the District to maintain its debt service coverage ratio coverage at 1.25 (minimum). The District's ratio for 2022 is 1.41. Although the debt service coverage ratio is not a part of the financial statements, the District uses this as another indicator of the District's ability to pay for its debt obligations. The higher the debt service ratio, the better the District's ability to cover debts.

Contact Information

Any questions or requests for additional information should be directed to:

Rural Water District No. 2, Ottawa County, Kansas
District Board of Directors
4744 W. Pleasant Hill Rd.
Salina, KS 67401
(785) 823-2093

FINANCIAL STATEMENTS

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	$ 1,849,512	$ 2,101,498
Accounts receivable	21,181	31,216
Member receivable	250	12,452
Inventory	13,744	14,952
Total Current Assets	1,884,687	2,160,118
Noncurrent Assets		
Capital assets, net	4,560,252	4,382,402
Certificates of deposit – bond reserve	402,249	399,318
Funds held on deposit with KDHE – loan reserve	111,260	111,260
Total Noncurrent Assets	5,073,761	4,892,980
Total Assets	$ 6,958,448	$ 7,053,098
Liabilities and Net Position		
Current Liabilities		
Accounts payable	$ -	$ 47,680
Accrued interest payable	8,942	10,079
Payroll liabilities	4,525	3,978
Unearned revenue – customer credits	65,492	58,922
Bonds payable	180,000	185,000
Loans payable	47,583	46,411
Total Current Liabilities	306,542	352,070
Noncurrent Liabilities		
Bonds payable, net of discount	959,999	1,138,605
Loans payable	722,964	770,547
Total Noncurrent Liabilities	1,682,963	1,909,152
Total Liabilities	1,989,505	2,261,222
Net Position		
Net investment in capital assets	2,649,706	2,241,839
Restricted for bond reserve	402,249	399,318
Restricted for loan reserve	111,260	111,260
Unrestricted	1,805,728	2,039,459
Total Net Position	4,968,943	4,791,876
Total Liabilities and Net Position	$ 6,958,448	$ 7,053,098

	2022	2021
Operating Revenues		
Water sales	$ 800,237	$ 774,231
Operating Expenses		
Professional fees	24,580	16,600
Repairs and maintenance	49,208	42,043
Salaries	159,092	152,454
Payroll taxes	11,112	11,055
Utilities	49,332	46,431
Insurance	39,777	26,487
Miscellaneous	9,499	9,885
Water fees	4,640	6,054
Supplies	11,443	6,743
Contract labor	46,879	51,010
Depreciation	209,780	202,279
Mileage	85,438	46,707
Office supplies	11,519	7,679
Employee retirement contributions	4,693	4,502
Total Operating Expenses	716,992	629,929
Net Operating Income	83,245	144,302
Nonoperating Revenue (Expense)		
Interest income	12,136	27,257
Other income	87,157	4,751
Service fee on loan	(2,685)	(2,866)
Interest expense	(42,786)	(50,305)
Total Nonoperating Income (Expense)	53,822	(21,163)
Net Income Before Capital Contributions	137,067	123,139
Capital Contributions		
Benefit unit sales	40,000	97,000
Change in Net Position	177,067	220,139
Net Position – Beginning	4,791,876	4,571,737
Net Position – Ending	$ 4,968,943	$ 4,791,876

	2022	2021
Cash Flows from Operating Activities		
Cash received from customers	$ 829,044	$ 788,129
Cash paid to suppliers for goods and services	(391,036)	(224,403)
Cash paid to employees for services	(163,238)	(155,127)
Net Cash Provided by Operating Activities	274,770	408,599
Cash Flows from Investing Activities		
Interest income	12,136	27,257
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(387,630)	(206,041)
Capital contributions	40,000	97,000
Payments on long-term debt	(231,411)	(218,030)
Change in reserves	(2,931)	(2,707)
Other capital activities	87,157	4,751
Interest and service fees paid on long-term debt	(44,077)	(53,171)
Net Cash Used in Capital and Related Financing Activities	(538,892)	(378,198)
Net Increase (Decrease) in Cash and Cash Equivalents	(251,986)	57,658
Cash and Cash Equivalents – Beginning	2,101,498	2,043,840
Cash and Cash Equivalents – Ending	$ 1,849,512	$ 2,101,498
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities		
Net operating income	$ 83,245	$ 144,302
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities		
Depreciation	209,780	202,279
Decrease (increase) in accounts receivable	10,035	(7,701)
Decrease in member receivable	12,202	15,103
Decrease in inventory	1,208	-
Increase (decrease) in accounts payable	(47,680)	47,680
Decrease in accrued interest payable	(1,137)	(1,389)
Increase in payroll liabilities	547	1,829
Increase in unearned revenue – customer credits	6,570	6,496
Net Cash Provided by Operating Activities	$ 274,770	$ 408,599

Note 1: Summary of Significant Accounting Policies

Organization

The Rural Water District No. 2, Ottawa County, Kansas (the District), was declared incorporated by the Board of Commissioners of Ottawa County, Kansas, on June 11, 1979 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 area of the District. The District is governed by a nine-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 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

Government-wide statements. The *statements of net position* and the *statements of revenues, expenses, and changes in net position* display information about the primary government, the District. These statements show that the financial activities of the overall government business-type activities are financed mostly by fees charged to external parties. Business-type activities are reported in one fund.

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 nonexchange transactions or ancillary activities.

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

Water System 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. Nonexchange 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

The District considers all bank deposit accounts, money market accounts and certificates of deposit classified as current assets to be cash and cash equivalents. Certificates of deposit with maturities of longer than three months can still be used by the District to meet current liabilities if they wish to pay any applicable penalties.

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, 2022 and 2021.

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, Net

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: engineering costs – 40 years, water distribution system, wells and easements – 10 to 40 years, and office equipment – 3 to 7 years.

Net Position

Net position is comprised of 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 net investment in capital assets. 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 does 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. Nonoperating 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 May 26, 2023 which is the date the financial statements were available to be issued.

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, 2022

On December 31, 2022, the District's carrying amount of deposits was $2,251,761 and the bank balance was $2,248,866. The bank balance was held by five banks which did not result in a concentration of credit risk. Of the bank balance, $989,299 was covered by federal depository insurance and $1,259,567 was collateralized with securities held by the pledging financial institution's agents in the District's name.

December 31, 2021

On December 31, 2021, the District's carrying amount of deposits was $2,500,816 and the bank balance was $2,501,724. The bank balance was held by six banks which did not result in a concentration of credit risk. Of the bank balance, $1,488,886 was covered by federal depository insurance and $1,012,838 was collateralized with securities held by the pledging financial institution's agents in the District's name.

Note 3: Capital Assets

Capital asset activity for the year ended December 31, 2022 was as follows:

	Balance on December 31, 2021	Additions	Retirements	Balance on December 31, 2022
Nondepreciable Capital Assets				
Construction in progress	$ 18,292	$ 128,073	$ -	$ 146,365
Depreciable Capital Assets				
Engineering costs	149,699	-	-	149,699
Office equipment	11,614	-	-	11,614
Water wells and easements	291,180	-	-	291,180
Distribution system	7,584,977	125,387	-	7,710,364
Building	-	134,170	-	134,170
Total Depreciable Capital Assets	8,037,470	259,557	-	8,297,027
Accumulated depreciation	(3,673,360)	(209,780)	-	(3,883,140)
Total Depreciable Capital Assets, Net	4,364,110	49,777	-	4,413,887
Capital Assets, Net	$ 4,382,402	$ 177,850	$ -	$ 4,560,252

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	$ -	$ 18,292	$ -	$ 18,292
Depreciable Capital Assets				
Engineering costs	149,699	-	-	149,699
Office equipment	11,614	-	-	11,614
Water wells and easements	291,180	-	-	291,180
Distribution system	7,397,228	187,749	-	7,584,977
Total Depreciable Capital Assets	7,849,721	187,749	-	8,037,470
Accumulated depreciation	(3,471,081)	(202,279)	-	(3,673,360)
Total Depreciable Capital Assets, Net	4,378,640	(14,530)	-	4,364,110
Capital Assets, Net	$ 4,378,640	$ 3,762	$ -	$ 4,382,402

Note 4: Long-Term Debt

The following is a schedule of long-term debt activity for the year ended December 31, 2022

	Beginning Balance	Additions	Retirements	Ending Balance
Water Supply Loan - 2855	$ 700,448	$ -	$ 40,342	$ 660,106
Water Supply Loan - 2911	116,510	-	6,069	110,441
Revenue Bonds - 2012	145,000	-	80,000	65,000
Revenue Bonds - 2019	485,000	-	55,000	430,000
Revenue Bonds - 2020	705,000	-	50,000	655,000
Total Long-Term Debt	$ 2,151,958	$ -	$ 231,411	$ 1,920,547

Note 4: Long-Term Debt (Continued)

The following is a schedule of long-term debt activity for the year ended December 31, 2021

	Beginning Balance	Additions	Retirements	Ending Balance
Water Supply Loan - 2855	$ 739,762	$ -	$ 39,314	$ 700,448
Water Supply Loan - 2911	122,465	-	5,955	116,510
Revenue Bonds - 2012	220,000	-	75,000	145,000
Revenue Bonds - 2019	540,000	-	55,000	485,000
Revenue Bonds - 2020	750,000	-	45,000	705,000
Total Long-Term Debt	$ 2,372,227	$ -	$ 220,269	$ 2,151,958

Long-term debt consists of the following on December 31, 2022 and 2021:

	2022	2021
In 2014, the District executed a loan agreement with the Kansas Department of Health and Environment (KDHE) Public Water Supply Loan Fund (Loan 2855) for the purpose of financing a public water supply project. The loan from KDHE was not expected to exceed $970,929. Interest on the loan was to be 2.6% per annum. In 2015, the District received total loan disbursements of $695,976 which consisted of $614,241 deposited to the District's accounts to cover expenses incurred, $69,598 for the loan reserve which is held at KDHE and $12,137 of loan closing costs. In 2016, the District received total loan disbursements of $34,782 of which $31,345 was deposited into the District's accounts to cover expenses incurred and $3,478 was applied to the loan reserve which is held at KDHE. Payments began in August 2016 and are due semi-annually on February 1 and August 1. Final maturity is February 2036.	$ 660,106	$ 700,448
In 2016, the District executed another loan agreement with the KDHE Public Water Supply Loan Fund (Loan 2911) for the purpose of financing the construction of a connecting waterline and appurtenances to facilitate consolidation of a neighboring public water supply system. The total loan was $196,546. There was principal forgiveness of $58,964. The interest rate is 1.56% with payments of $4,133 per month that began February 1, 2018. Through 2018, the District received total loan disbursements of $196,545, of which $176,890 was deposited in the District's accounts to cover expenses incurred and $19,655 was applied to the loan reserve which is held at KDHE.	110,441	116,510
On September 11, 2012, the District issued $760,000 in Kansas Rural Water Finance Authority Revenue Bonds, Series 2012 with effective interest rates ranging from 1.00% to 2.75%. The new bond issue paid off the outstanding 2004 bond issue and was used for the construction and remodeling of the chlorination buildings. Interest payments are due semi-annually on April 1 and October 1. Principal payments were due starting on October 1, 2013 and maturing in 2023.	65,000	145,000

Note 4: Long-Term Debt (Continued)

On September 4, 2019, the District issued $585,000 in Kansas Rural Water Finance Authority Revenue Bonds, Series 2019 with effective interest rates ranging from 2.75% to 3.00%. The new bond issue refinanced 2009 bonds. Interest payments are due semi-annually on June 1 and December 1. Principal payments were due starting on December 1, 2020 and maturing in 2029.	430,000	485,000
On August 13, 2020, the District issued $750,000 om Water Utility System Refunding Revenue Bonds, Series 2020 with effective interest rates ranging from 1.00% to 1.50%. The new bond issue refinanced 2013 bonds. Interest payments are due semi-annually on June 1 and December 1. Principal payments are due starting on December 1, 2021 and maturing in 2033.	655,000	705,000
TOTAL LONG-TERM DEBT	1,920,547	2,151,958
Less: Current portion of long-term debt	(227,583)	(231,411)
Less: Unamortized bond discount	(10,001)	(11,395)
Long-Term Debt, Net of Current Portion and Discount	$ 1,682,963	$ 1,909,152

Future maturities of long-term debt are as follows:

Year Ended December 31,	Principal	Interest	Service Fee	Total
2023	$ 227,583	$ 37,023	$ 2,477	$ 267,083
2024	158,845	32,049	2,477	193,371
2025	165,079	29,117	2,305	196,501
2026	171,345	26,038	2,129	199,512
2027	172,642	22,761	1,948	197,351
2028-2032	723,861	69,157	6,862	799,880
2033-2037	294,020	11,485	1,750	307,255
2038	7,172	32	7	7,211
Total	$ 1,920,547	$ 227,662	$ 19,955	$ 2,168,164

2012 Bonds Payable Information:
Issuance costs of $17,229 were paid and expensed at the time this revenue bond was issued. The bonds were issued at a discount of $11,400 which 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 $1,267 of bond amortization expense for the years ending December 31, 2022 and 2021.

2019 Bonds Payable Information:
Issuance costs of $24,951 were paid and expensed at the time this revenue bond was issued. The bonds were issued at a discount of $8,775 which 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 $975 of bond amortization expense for each of the years ending December 31, 2022 and 2021.

Note 4: Long-Term Debt (Continued)

2020 Bonds Payable Information:

Issuance costs of $42,728 were paid and expensed at the time this revenue bond was issued. The bonds were issued at a discount of $5,455 which 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 $420 and $140 of bond amortization expense for the years ending December 31, 2022 and 2021.

Additionally, during 2021, the District applied for and was approved for a third loan from the KDHE Public Water Supply Loan Fund. A loan amount of $1,000,000 was approved to finance the construction of a new water tower. As of December 31, 2022, no draws on this loan have been made.

Note 5: Debt Service Ratio

The debt 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:

	2022	2021
Change in net position	$ 177,067	$ 220,139
Interest expense	42,786	50,305
Depreciation	209,780	202,279
Less: Capital contributions	(40,000)	(97,000)
Total Revenue Available for Debt Service	$ 389,633	$ 375,723
Debt service payments	$ 276,882	$ 273,439
Debt service ratio	1.41	1.37

Note 6: Unearned Revenue – Customer Credits

Multiple District customers have paid in advance for water usage. These amounts have not been earned and would be refundable if water usage discontinues. The balance of these customer credits was $65,492 at December 31, 2022 and $58,922 at December 31, 2021.

Note 7: Retirement Plan

The District provides a Simple IRA for the full-time employees as retirement compensation. The District contributes 3% of the eligible employee wages to these IRAs. In 2022, the District contributed $4,693 and in 2021, $4,502 to the retirement plan. The IRAs are with American Funds.

Note 8: 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. 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. The District did not experience losses related to these risks during the years ended December 31, 2022 and 2021.

Note 9: 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 year end December 31, 2022 and 2021.