SHAWNEE COUNTY RURAL WATER DISTRICT NO. 8

FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT
YEARS ENDED DECEMBER 31, 2021 & 2020

Cummins,
Coffman &
Schmidtlein
Certified Public Accountants, P.A.

SHAWNEE COUNTY RURAL WATER DISTRICT NO. 8
TABLE OF CONTENTS

Page

Independent Auditor's Report on Financial Statements 1

Financial Statements:

Statements of Net Position 4

Statements of Revenues, Expenses and Changes in Net Position 5

Statements of Cash Flows 7

Notes to Financial Statements 8

Supplementary Information:

Schedule of Insurance Coverage 15

Cummins,
Coffman &
Schmidtlein
Certified Public Accountants, P.A.

Terry Cummins, CPA
Diane Coffman, CPA
Greg Schmidtlein, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Shawnee County Rural Water District No. 8
Tecumseh, KS 66542

Qualified Opinion

We have audited the accompanying financial statements of Shawnee County Rural Water District No. 8, which comprise the statement of net position as of December 31, 2021 and 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of Shawnee County Rural Water District No. 8 as of December 31, 2021 and 2020, and the changes in net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

We were unable to obtain audited information pertaining to the investment in the Tri-District, which resulted in our inability to audit the investment at December 31, 2021 and 2020.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Shawnee County Rural Water District No. 8 and to meet our 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 these 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 about Shawnee County Rural Water District No. 8's ability to continue as a going concern within one year after the date 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 Shawnee County Rural Water District No. 8'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 Shawnee County Rural Water District No 8'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.

Other Matter

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 considered to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Shawnee County Rural Water District No. 8's financial statements as a whole. The Schedule of Insurance Coverage is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Cummins, Coffman & Schmidtlein, CPA's, P.A.

Cummins, Coffman & Schmidtlein, CPA's, P.A.
Tecumseh, Kansas
February 21, 2022

SHAWNEE COUNTY RURAL WATER DISTRICT NO. 8
STATEMENTS OF NET POSITION
For the Years Ended

Assets

	December 31 2021	December 31 2020
Current assets:		
Cash and cash equivalents	$ 774,082	$ 609,618
Certificates of deposit	1,006,064	967,882
Accounts receivable	133,029	128,339
Inventory	80,804	68,898
Prepaid expense	6,832	6,424
Total current assets	2,000,811	1,781,161
Noncurrent assets:		
Investment in Tri-District	970,629	970,629
Property and equipment, net	1,428,687	1,479,824
Total noncurrent assets	2,399,316	2,450,453
Total assets	$ 4,400,127	$ 4,231,614

Liabilities and Net Position

	December 31 2021	December 31 2020
Current liabilities:		
Accounts payable	$ 88,284	$ 83,152
Deferred Revenue	15,843	-
Other payables	3,547	2,735
Accrued payroll	18,782	18,277
Total current liabilities	126,456	104,164
Net position:		
Invested in capital assets	1,428,687	1,479,824
Unrestricted	2,844,984	2,647,626
Total net position	4,273,671	4,127,450
Total liabilities and net position	$ 4,400,127	$ 4,231,614

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

SHAWNEE COUNTY RURAL WATER DISTRICT NO. 8
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended

	December 31 2021	2020
Revenues:		
Water sales	$ 1,056,998	$ 989,528
Service charges	614,608	624,686
City of Topeka	18,401	18,325
Project income	-	-
Investment Income	1,800	(5,124)
Miscellaneous	3,283	1,943
Total operating revenues	1,695,090	1,629,358
Cost of water purchased	(961,709)	(931,687)
Gross profit	733,381	697,671
Operating expenses:		
Depreciation	137,895	136,967
Wages	202,564	198,707
Payroll taxes	16,437	15,158
Employee benefits	88,607	76,640
Repairs and maintenance	18,629	13,109
Materials	18,373	17,035
Insurance	22,945	23,887
Utilities	32,346	29,300
Vehicle expense	12,582	7,606
Office expense	23,747	29,261
Meter reading	38,432	39,922
Telephone	9,131	8,099
Directors' expense	7,200	7,100
Professional fees	20,124	18,587
Engineering	925	639
Lab testing	6,529	5,799
Dues and subscriptions	4,918	1,348
Staff development	1,485	45
Miscellaneous	-	-
Total operating expenses	662,869	629,209
Income (loss) from operations	70,512	68,462

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

SHAWNEE COUNTY RURAL WATER DISTRICT NO. 8
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (continued)
For the Years Ended

	December 31 2021	2020
Non-operating revenues (expense):		
Interest income	$ 38,509	$ 22,739
Total non-operating revenues (expense)	38,509	22,739
Net income (loss) before contributions:	109,021	91,201
Capital contributions:		
Benefit units sold	37,200	57,200
Total capital contributions	37,200	57,200
Change in net assets	146,221	148,401
Net position - beginning of year	4,127,450	3,979,049
Net position - end of year	$ 4,273,671	$ 4,127,450

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

SHAWNEE COUNTY RURAL WATER DISTRICT NO. 8
STATEMENTS OF CASH FLOWS
For the Years Ended

	December 31 2021	2020
Cash flows from (used in) operating activities:		
Cash receipts from customer and reimbursements for services	$ 1,849,227	$ 1,762,301
Miscellaneous cash receipts	5,083	3,743
Cash received for interest		
Cash payments for goods and services	(1,415,979)	(1,436,928)
Cash payments to employees for services	(186,127)	(180,430)
Net cash from (used in) operating activities	252,204	148,686
Cash flows from (used in) investing activities:		
(Gain) Loss Tri District		
Net change in certificates of deposit	(38,182)	22,496
Purchase of capital assets	(86,758)	(19,457)
Net cash from (used in) investing activities	(124,940)	3,039
Cash flows from (used in) financing activities:		
Proceeds from sale of benefit units	37,200	57,200
Net cash from (used in) financing activities	37,200	57,200
Net increase (decrease) in cash and cash equivalents	164,464	208,925
Cash at beginning of year	609,618	400,693
Cash at end of year	$ 774,082	$ 609,618
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	$ 109,021	$ 91,201
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization	137,895	136,967
Gain (loss) on Tri-District investment	-	(76,904)
Changes in assets and liabilities		
Accounts receivable	(4,690)	1,423
Inventory	(11,906)	(1,002)
Prepaid expenses	(408)	3,175
Accounts payable	5,132	(5,465)
Accrued expenses	17,160	(709)
Net cash provided by operating activities	$ 252,204	$ 148,686

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

1. Organization and Significant Accounting Policies

Organization

Shawnee County Rural Water District No. 8 (the District) was organized under Kansas law and is accounted for as a proprietary fund using the accrual basis of accounting. The District's purpose and objective is to acquire water and water rights, to build and acquire pipelines and for the purpose of furnishing water for domestic, agriculture, and/or other purposes. The District provides services to patrons in a portion of Shawnee County.

Basis of Accounting

The financial statements of the District are prepared using the accrual method of accounting. Accordingly, income is recorded as earned and expenses are charged as incurred, regardless of the timing of payments.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the District considers all highly liquid investments with original maturities of three months or less to be cash equivalents. For the purposes of the statement of cash flows, the District considers petty cash, money market, and cash in bank accounts as cash and cash equivalents.

Accounts Receivable

Accounts receivable consist of current and past due water usage charges and other charges for late fees. The accounts receivable balance at December 31, 2021 and 2020 is $133,029 and $128,339.

Inventories

Inventories of materials and supplies are valued at the lower of cost, or market and are determined on the first-in, first-out basis.

Property and Equipment

Property and equipment are recorded at cost. Improvements and betterments to existing property and equipment are capitalized. Expenditures for maintenance and repair which do not extend the life of the applicable assets are charged to expense as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period. The District does not have a formal capitalization policy

1. Organization and Significant Accounting Policies (continued)

Property and Equipment (continued)

Depreciation on all assets is provided using the straight-line method over estimated useful as follows:

	Years
Meters	10-20
Distribution lines	33-50
Tanks	15-40
Office building	5-40
Office equipment	5-10
Other equipment	5-10

Benefit Units

Benefit units are rights that entitle the holder to water service. Benefit units are presently sold for $4,400 each.

Net Position

The District's net position is classified as follows:

Invested in capital assets – This represents the District's total investment in capital assets, net of accumulated depreciation and reduced by any outstanding debt attributable to the acquisition, construction or improvements of those assets.

Unrestricted net position – This includes resources derived from sales and services. These resources are used for transactions relating to providing sales and services and general operations of the District and may be used at the discretion of the governing board to meet current expense for any purpose.

Operating Revenues and Expenses

Operating revenues and result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

2. Concentration of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

At December 31, 2021 and 2020, cash balances are comprised of demand deposits and certificates of deposit. As required by law, the depository banks are to pledge securities in addition to Federal Deposit Insurance Corporation (FDIC) insurance or obtain surety bonds to equal the amount on deposits at all times.

2. Concentration of Credit Risk Arising from Cash Deposits in Excess of Insured Limits (continued)

Custodial credit risk is the risk that in the event of a bank failure, the district's deposits in excess of coverage may be lost. At December 31, 2021 and 2020, the District's carrying amounts of deposits, including certificates of deposit, was $1,006,064 and $967,882, and the bank balance was $770,158 and $967,882, of which $250,000 was covered by FDIC insurance. At December 31, 2021 and 2020, $1,936,891 and $1,612,476 was collateralized by securities held in safekeeping pledged to the District.

3. Concentration of Suppliers

The District acquires 100% of its water from the City of Topeka and the Tri-District facility. There are no other suppliers of water available for this district.

4. Investment in Tri-District (Unaudited)

In 1979, and as amended in 1980, the District entered into a joint venture agreement with Rural Water District No. 3 of Douglas County, Kansas and Rural Water District No. 5 of Osage County, Kansas for the purposes of construction a water treatment facility (Tri-District Facility). During 1996, the district entered into an inter-local cooperation agreement for construction and financial of improvements to the Tri-District facility. During 2002, additional improvements to the Tri-District facility were completed. The following represents the interests of the Districts in the treatment facility:

Rural Water District No. 3, Douglas County, KS	35.00%
Rural Water District No. 5, Osage County, KS	30.00%
Rural Water District No. 8, Shawnee County, KS	35.00%

The above Districts are responsible for the operating expenses, debt and improvements of the Tri-District Facility based on the above percentages.

The District has recorded their interest in the Tri-District Facility under the equity method of accounting which recognizes under the equity method of accounting, all payments to the Tri-District Facility increase their investment. Net income of the Tri-District Facility, as an increase in their investment while a net loss, reduces the investment.

The District has adjusted their investment to the equity reported by the Tri-District. The Tri-District's financial statements have not been audited as of December 31, 2021; as a result, the information recorded on the Districts statement of net position would change if there were adjustments made to the Tri-District's financial statements. The District's investment in Tri-District at December 31, 2021 and 2020 was $970,629. The gain (loss) on investment is reported in the non-operating section of the District's statement of revenues and expenses.

5. Property and Equipment

The following represents a summary of changes of property, plant and equipment of the District and does not include any assets of the Tri-District facility:

	2021	2020
Meters	$ 1,228,820	$ 1,228,821
Distribution lines	3,418,005	3,363,228
Tanks	595,696	595,696
Land	33,301	33,301
Office building	76,479	122,878
Office equipment	671,475	76,479
Other equipment	122,878	639,493
Total assets	$ 6,146,654	$ 6,059,896
Less accumulated depreciation:		
Meters	$ 1,134,089	$ 1,116,442
Distribution lines	2,468,782	2,418,690
Tanks	569,027	558,248
Office building	89,038	87,871
Office equipment	74,527	73,856
Other equipment	382,504	324,965
Total accumulated depreciation	$ 4,717,967	$ 4,580,072
Property and equipment, net	$ 1,428,687	$ 1,479,824

6. Defined Contribution Retirement Plan

The District has established a defined contribution pension plan covering all of its employees. The plan is non-contributory for employees. The District contributes 10% of the employees' gross wages on a monthly basis to the plan. The Board of Directors has the authority to establish and amend benefit provisions. Retirement plan expense for the years ended December 31, 2021 and 2020 was $20,247 and $19,871.

7. Compensated Absences

The District has a paid time off policy program for employees, which includes vacation, sickness or other personal needs. Full-time employees with six year or less of service are eligible for two weeks of vacation. Full-time employees seven or more years of service are eligible for three weeks of vacation. Vacation time that is not used during the year is lost. Employees accrue .50 days of sick leave for every month of service. Accrued sick leave is not paid upon termination; therefore, no accrual is required.

8. Contracts

In 1979, the District entered into an agreement with the Tri-District Facility to purchase water. In 2021, the District purchased 149,917,000 gallons at $3.10 per 1,000 gallons plus a fixed monthly fee of $4,500.

In 1962, the District entered into a 99 year lease with Lake Jivaro, Inc. to lease the lake and surrounding area for water processing for the District. The District no longer processes water from the lake; however, they are required to maintain the dam. Costs related to this maintenance totaled $353 and $92 for the years ended December 31, 2021 and 2020.

In 2002 the District entered into a 20 year contract with the City of Topeka to purchase water. The contract calls for a minimum yearly purchase of 5,400,000 gallons at a variable rate determined by the City.

9. Related Party Transactions

The District owns 35% of the Tri-District Facility and the District has two board members who serve on both boards of directors. The District has an agreement with Tri-District whereby the District purchases water from the Tri-District. Water purchased for the years ended December 31, 2021 and 2020 cost was $464,743 and $494,971. The District is also required to pay a fixed fee each year to help cover operating costs of the Tri-District. The fees paid for the years ended December 31, 2021 and 2020 was $54,000. There was no amount payable or receivable between the two entities at December 31, 2021 and 2020. The District also receives a share of the income or loss allocated from their share of the ownership in the Tri-District at year end. For the years ended December 31, 2021, no loss or gain was recognized. For the years ended December 31, 2020, a loss of $6,924 was recognized as the District's portion of Tri-District income.

10. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Water District joined together with other entities in the State to participate in Employees 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.

11. Compliance with Kansas Statutes

Management is aware of no statutory violations for the period covered by the audit.

12. Tax Exempt Status

Rural Water District No. 8, Shawnee County, qualifies as a tax-exempt organization for Federal and State income tax purposes. Accordingly, the financial statements do not include a provision for Federal or State income tax liability expense.

While the District is not required to file tax returns, the payroll activities of the District for at least the most recent three years are subject to examination by the IRS and state taxing authorities.

13. Subsequent Event

Subsequent events were evaluated through the date of the audit report, which is the date the financial statements were available to be issued. No events were found requiring disclosure in these financial statements.

SUPPLEMENTARY INFORMATION

SHAWNEE COUNTY RURAL WATER DISTRICT NO. 8
SCHEDULE OF INSURANCE COVERAGE
For the Year Ended December 31, 2021

Property Covered	Coverage	Expires
Commercial Property:	90% Coinsurance	4/8/2022
Building and personal property	446,574	
Water tower and equipment	1,015,364	
General Liability:		4/8/2022
Aggregate Limit-		
products/completed operations	1,000,000	
other than products/completed ops	1,000,000	
Personal and advertising injury	500,000	
Damages to the premises	300,000	
Medical expense (per person)	5,000	
Commercial Auto:		4/8/2022
Liability insurance (per loss)	500,000	
Uninsured motorist	500,000	
Underinsured motorist	500,000	
Workman's compensation:		4/8/2022
Bodily injury by accident	500,000	
Bodily injury by disease (per employee)	500,000	
Bodily injury by disease (policy limit)	500,000	
Public Employee Dishonesty:		4/8/2022
Per loss	25,000	
Inland Marine	80% Coinsurance	4/8/2022
Property in transit	186,064	
Pipe fittings, valves, supplies	60,000	
Additional debris removal	5,000	
Pollutant Cleanup and removal	10,000	
Teeth bucket	1,245	
Trenching bucket	920	
Bob cat forks	700	
Gravely Pro Turn Mower	7,925	
Bobcat Excavator w/ 68 in LP bucket	37,900	
Bobcat Excavator w/ 24 in bucket	77,374	
Linebacker Coverage		4/8/2022
Each loss	1,000,000	
Aggregate	1,000,000	

SHAWNEE COUNTY RURAL WATER DISTRICT NO. 8
SCHEDULE OF INSURANCE COVERAGE
For the Year Ended December 31, 2020

Property Covered	Coverage	Expires
Commercial Property:	90% Coinsurance	4/8/2021
Building and personal property	446,574	
Water tower and equipment	1,015,364	
General Liability:		4/8/2021
Aggregate Limit-		
products/completed operations	1,000,000	
other than products/completed ops	1,000,000	
Personal and advertising injury	500,000	
Damages to the premises	300,000	
Medical expense (per person)	5,000	
Commercial Auto:		4/8/2021
Liability insurance (per loss)	500,000	
Uninsured motorist	500,000	
Underinsured motorist	500,000	
Workman's compensation:		4/8/2021
Bodily injury by accident	500,000	
Bodily injury by disease (per employee)	500,000	
Bodily injury by disease (policy limit)	500,000	
Public Employee Dishonesty:		4/8/2021
Per loss	25,000	
Inland Marine	80% Coinsurance	4/8/2021
Property in transit	186,064	
Pipe fittings, valves, supplies	60,000	
Additional debris removal	5,000	
Pollutant Cleanup and removal	10,000	
Teeth bucket	1,245	
Trenching bucket	920	
Bob cat forks	700	
Gravely Pro Turn Mower	7,925	
Bobcat Excavator w/ 68 in LP bucket	37,900	
Bobcat Excavator w/ 24 in bucket	77,374	
Linebacker Coverage		4/8/2021
Each loss	1,000,000	
Aggregate	1,000,000	