

# JEFFERSON COUNTY RURAL WATER DISTRICT NO. 2

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



Cummins,  
Coffman &  
Schmidtlein

Certified Public Accountants, P.A.

JEFFERSON COUNTY RURAL WATER DISTRICT NO. 2

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Rural Water District No. 2  
Jefferson County, KS

### **Opinion**

We have audited the accompanying financial statements of Jefferson County Rural Water District No. 2, 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 years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jefferson County Rural Water District No. 2 as of December 31, 2021 and 2020, and the changes in net 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 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 Jefferson County Water District No. 2 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 doubt about Jefferson County Water District No. 2's ability to continue as a going concern within one year after the date the financial statements are available to be issued.



## **Auditor's Responsibility**

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 Jefferson County Water District No. 2'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 Jefferson County Water District No. 2'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 Jefferson County Water District No. 2 financial statements as a whole. The Schedule of Operating Activities 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 & Schmidlein, CPA's, P.A.  
Topeka, Kansas  
June 8, 2022



JEFFERSON COUNTY RURAL WATER DISTRICT NO. 2  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021  
STATEMENTS OF NET POSITION  
For the years ended

Assets

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents	\$ 517,075	\$ 554,663
Accounts receivable	28,982	24,228
Prepaid expense	1,246	1,246
Total current assets	<u>547,303</u>	<u>580,137</u>
Non-current assets		
Property and equipment, net	<u>849,301</u>	<u>820,086</u>
Total assets	<u>\$ 1,396,604</u>	<u>\$ 1,400,223</u>

Liabilities and Net Position

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Current liabilities		
Accounts payable	\$ 11,633	\$ 62,354
Other payables	350	349
Customer deposits	200	200
Total current liabilities	<u>12,183</u>	<u>62,903</u>
Net position		
Invested in capital assets	849,301	820,086
Unrestricted	<u>535,120</u>	<u>517,234</u>
Total net position	<u>1,384,421</u>	<u>1,337,320</u>
Total liabilities and net position	<u>\$ 1,396,604</u>	<u>\$ 1,400,223</u>

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

JEFFERSON COUNTY RURAL WATER DISTRICT NO. 2  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET POSITION  
For the Years Ended

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Revenues		
Water sales	\$ 209,326	\$ 176,832
Other income	23,983	52,000
Total operating revenues	<u>233,309</u>	<u>228,832</u>
Operating expenses	<u>(222,267)</u>	<u>(248,576)</u>
Income (loss) from operations	<u>11,042</u>	<u>(19,744)</u>
Non-operating revenues (expense)		
Interest income	773	847
Farm income	16,389	9,855
Farm expense	(5,103)	(3,397)
Total non-operating revenues (expense)	<u>12,059</u>	<u>7,305</u>
Net income (loss) before contributions	<u>23,101</u>	<u>(12,439)</u>
Capital contributions		
Benefit units sold	24,000	49,000
Total capital contributions	<u>24,000</u>	<u>49,000</u>
Change in net assets	47,101	36,561
Net position - beginning of year	1,337,320	1,300,759
Net position - end of year	\$ <u><u>1,384,421</u></u>	\$ <u><u>1,337,320</u></u>

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

JEFFERSON COUNTY RURAL WATER DISTRICT NO. 2  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021  
STATEMENTS OF CASH FLOWS  
Years Ended

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Cash flows from (used in) operating activities:		
Cash receipts from customer and reimbursements for services	\$ 204,572	\$ 185,006
Interest income	773	847
Miscellaneous cash receipts	-	-
Cash payments for goods and services	(148,764)	(75,492)
Cash payments to employees for services	(48,012)	(48,012)
Net cash from (used in) operating activities	<u>7,959</u>	<u>62,349</u>
Cash flows from (used in) investing activities:		
Purchase of capital assets	(104,653)	(264,469)
Proceeds from farm activity	16,389	9,855
Purchases for farm activity	(5,103)	(3,397)
Net cash from (used in) investing activities	<u>(93,367)</u>	<u>(258,011)</u>
Cash flows from (used in) financing activities:		
Proceeds from sale of benefit units	24,000	49,000
Proceeds from new district lines purchased from patrons	23,820	51,000
Net cash from (used in) financing activities	<u>47,820</u>	<u>100,000</u>
Net increase (decrease) in cash and cash equivalents	(37,588)	(95,662)
Cash at beginning of year	554,663	650,325
Cash at end of year	\$ <u>517,075</u>	\$ <u>554,663</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ (12,778)	\$ (70,745)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	75,438	64,183
Interest income	773	847
Changes in assets and liabilities		
Accounts receivable	(4,754)	8,174
Prepaid expenses	-	-
Accounts payable	(50,720)	59,890
Net cash provided by operating activities	\$ <u>7,959</u>	\$ <u>62,349</u>

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



JEFFERSON COUNTY RURAL WATER DISTRICT NO. 2  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021

**1. Organization and Significant Accounting Policies**

Organization

The Rural Water District No. 2, Jefferson County, Kansas (the District) was organized in 1965 as a quasi-municipal corporation, established under and pursuant to the provisions of K.S.A. 82a-612 et seq. of the statutory of law of Kansas. The District was established for the purpose of constructing and operating a water supply distribution system to benefit units within Jefferson County, Kansas.

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 statements of cash flows, the District considers operating, money market and petty cash 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 \$28,982 and \$24,228.

Property and Equipment

Property and equipment are recorded at cost. Improvements 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. Depreciation on all assets is provided using the straight-line method over estimated useful as follows:

	<u>Years</u>
Meters	15-40
Distribution lines	10-40
Office building	20-40
Office equipment	5

JEFFERSON COUNTY RURAL WATER DISTRICT NO. 2  
NOTES TO FINANCIAL STATEMENTS (continued)  
December 31, 2021

**1. Organization and Significant Accounting Policies (continued)**

Benefit Units

Benefit units are rights that entitle the holder to water service. Benefit units are presently sold for \$8,000.

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 expenses 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. Concentrations 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. 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. 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.

At December 31, 2021, the District's carrying amounts of deposits were \$516,875, of which \$250,000 was covered by FDIC insurance. \$133,319 was collateralized by securities held in safekeeping pledged to the District. The district was exposed to credit risk in the amount of \$133,557 at December 31, 2021 for amounts exceeding coverage.

At December 31, 2020, the District's carrying amounts of deposits were \$554,463, of which \$250,000 was covered by FDIC insurance. \$173,220 was collateralized by securities held in safekeeping pledged to the District. The district was exposed to credit risk in the amount of \$131,243 at December 31, 2020 for amounts exceeding coverage.

JEFFERSON COUNTY RURAL WATER DISTRICT NO. 2  
NOTES TO FINANCIAL STATEMENTS (continued)  
December 31, 2021

**3. Property and Equipment**

The following represents a summary of changes of property and equipment at :

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Easements	\$ 1,280	\$ 1,280
Water lines and wells	1,862,535	1,757,882
Equipment	11,320	11,320
Land	113,860	113,860
Building	157,889	157,889
Vehicles	16,685	16,685
Total property & equipment	\$ <u>2,163,569</u>	\$ <u>2,058,916</u>
Less accumulated depreciation:		
Water lines and wells	\$ (1,242,789)	\$ (1,175,417)
Equipment	(9,489)	(8,903)
Building	(45,305)	(41,162)
Vehicles	(16,685)	(13,348)
Total accumulated depreciation	<u>(1,314,268)</u>	<u>(1,238,830)</u>
Property and equipment, net	\$ <u>849,301</u>	\$ <u>820,086</u>

Depreciation expense for the years end December 31, 2021 and 2020 was \$75,438 and \$64,183, respectively.

**4. Compensated Absences**

The District does not have a paid time off policy for employees, therefore, no accrual is required.

**5. Risk Management**

The Water 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 has insurance through Allied Insurance for all aspects of their business.

**6. Compliance with Kansas Statutes**

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

JEFFERSON COUNTY RURAL WATER DISTRICT NO. 2  
NOTES TO FINANCIAL STATEMENTS (continued)  
December 31, 2021

**7. Tax Exempt Status**

Rural Water District No. 2, Jefferson 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.

**8. 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



JEFFERSON COUNTY RURAL WATER DISTRICT NO. 2  
SCHEDULE OF OPERATING EXPENSES  
For the Years Ended

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Chemicals	\$ 673	\$ 217
Depreciation	75,438	64,183
Ditching	-	60,160
Dues and subscriptions	294	-
Engineering fee	-	6,300
Finder's fee	125	25
Business insurance	18,207	11,206
Vehicle insurance	942	903
Professional fees	11,655	14,392
Miscellaneous	2,281	3,207
Mowing services	960	1,680
Office and postage expense	2,271	6,199
Bond payment	250	250
Returned check	308	574
Salaries	48,012	48,012
Supplies	30,477	3,466
Payroll taxes	3,674	3,674
Other taxes	2,848	3,746
Water protection tax	1,382	1,009
Testing expenses	1,004	1,201
Travel	-	-
Utilities	17,402	16,451
Vehicle Costs	4,064	1,721
Total operating expenses	\$ <u>222,267</u>	\$ <u>248,576</u>