RURAL WATER DISTRICT NUMBER 4
Miami County, Kansas

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2023

RURAL WATER DISTRICT NUMBER 4
Miami County, Kansas

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Year ended December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rural Water District Number 4
Miami County
Drexel, Mo.

Opinions
We have audited the accompanying financial statements of the business-type activities of Rural Water District Number 4, Miami County, Kansas as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Rural Water District Number 4, Miami County, Kansas as of December 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
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 Rural Water District Number 4, Miami County, Kansas, 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 opinions.

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 Number 4's ability to continue as a going concern for 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 opinions. 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 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 Rural Water District Number 4'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 Number 4'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
Rural Water District Number 4 has not presented the 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 Governmental Accounting Standards Board, who considers it 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.

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rural Water District Number 4's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Harold K. Mayes Jr.

Harold K. Mayes Jr. CPA
Agler & Gaeddert, Chartered
Ottawa, Ks.
March 20, 2024

Rural Water District Number 4
Miami County
Drexel, Missouri
STATEMENT OF NET POSITION
December 31,

		2023
ASSETS		
Current Assets		
Cash Checking	$	36,526
Cash Savings		44,046
Money Market		50,804
Certificates of Deposit - due in 3 months		516,063
Accounts Receivable		21,155
Certificates of Deposit - due after 3 months		847,948
Prepaid Insurance		7,237
Total current assets		1,523,779
Property, Plant and Equipment		
Land		1,000
Tower Site and Fencing		32,279
Equipment & Water Lines		1,683,205
Building		36,136
Furniture & Office Equipment		17,684
		1,770,304
Accumulated Depreciation		(1,218,752)
Total Property Plant and Equipment		551,552
Total Assets	$	2,075,331
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts Payable	$	2,002
Accrued Water Protection Tax		378
Sales Tax Payable		310
Total Current Liabilities		2,690
Net Position		
Invested in Capital Assets, Net of Related Debt		551,552
Unrestricted Net Position		1,521,089
Total Net Position		2,072,641
Total Liabilities & Net Position	$	2,075,331

The accompanying notes are an integral part of this statement.

Rural Water District Number 4
Miami County
Drexel, Missouri
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31,

	2023
Operating Revenues	
Water Sales	$ 149,743
Monthly Minimum	140,520
Other Fees and Receipts	1,985
Installation Charges	8,721
Total Revenues	300,969
Cost of Sales	
Cost of Water	113,957
Total Cost of Sales	113,957
Gross Profit	187,012
Operating Expenses	
Wages - regular	67,875
Wages - bonus	1,600
Wages - extra hours	2,376
Payroll Taxes	5,582
Maintenance Contracts	12,684
Contract Labor	17,335
Repairs	125
Legal Fees	280
Locate Fees	1,082
Engineering Fees	922
Supplies	24,865
Water Protection Tax	1,481
Insurance	8,017
Dues & Subscriptions	512
Postage	4,140
Office Supplies	5,221
Utilities	2,021
Water Testing	918
Bank Charges	325
Travel	2,386
Conferences	1,570
Meals & Entertainment	1,013
Mileage Reimbursement	829
Telephone	2,091
Depreciation	48,103
Truck Expenses - Gas - License - Maintenance	12,393
Other	16
Total Operating Expenses	225,762
Total Operating Income (Loss)	(38,750)

The accompanying notes are an integral part of this statement.

Rural Water District Number 4
Miami County
Drexel, Missouri
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31,

	2023
Non-Operating Revenues (Expenses)	
Interest Income	$ 33,206
Total Non-Operating Income (Loss)	33,206
Other Revenues and (Expenses)	
Sale of Benefit Units	23,966
Net Income	18,422
Total Net Position, Beginning of Year	2,054,219
Total Net Position, End of Year	$ 2,072,641

The accompanying notes are an integral part of this statement.

Rural Water District Number 4
Miami County
Drexel, Missouri
STATEMENTS OF CASH FLOWS
For the Years Ended December 31,

		2023
Cash Flows from Operating Activities		
Cash Received From Customers	$	279,814
Cash Paid to Suppliers, Including Water		(218,730)
Cash Paid to Employees (including payroll taxes and benefits)		(77,433)
Net Cash Provided by (used in) Operating Activities		(16,349)
Cash Flows Provided by (used in) Financing Activities		
Water Benefit Units Proceeds		23,966
Net Cash Provided by (used in) Financing Activities		23,966
Cash Flows Provided by (used in) Investing Activities:		
Purchases of Property and Equipment (net of reimbursements)		783
Interest Income		33,206
Net Cash Provided by (used in) Investing Activities		33,989
Net Increase (Decrease) in Cash and Cash Equivalents		41,606
Cash and Cash Equivalents, Beginning of Year		605,833
Cash and Cash Equivalents, End of Year	$	647,439
Cash Balances		
Cash Checking	$	36,526
Cash Savings		44,046
Money Market		50,804
Certificates of Deposit - due in 3 months		516,063
	$	647,439
Reconciliations of Operating Income to Net Cash Provided by (used in) Operating Activities		
Operating Income	$	(38,750)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) Operating Activities:		
Depreciation		48,103
Changes in Assets and Liabilities Not Current Affecting Cash:		
(Increase) Decrease in Accounts Receivable		(21,155)
(Increase) Decrease in Prepaid Expense		(7,237)
Increase (Decrease) in Account Payable		2,002
Increase (Decrease) in Accrued Liabilities		688
	$	(16,349)

The accompanying notes are an integral part of this financial statement.

Rural Water District Number 4
Miami County
Drexel, Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting principles consistently applied in the preparation of the accompanying financial statements are noted as follows.

1. Financial Reporting Entity

The scope of the entity for financial reporting purposes is defined as those funds for which the Rural Water District Number 4 (here in referred to as the district) is considered to be financially accountable. The district's financial statements include all of its operations. The district is a separately administered organization. The district has no component units. The district is a quasi-municipality governed by an elected six-member board.

2. Government-wide and Fund Financial Statements

Government-wide Financial Statements - The government-wide financial statements include the statement of net position. This statement reports financial information for the district as a whole. Individual funds are not displayed but the statements distinguish between governmental activities generally supported by taxes and general revenues (of which the district does not have any), from the business-types activities, generally financed in whole or in part with fees charged to external customers. The district is a special-purpose government engaged in a single governmental program (delivery of water to customers in the Drexel, Missouri area).

The statement of revenues, expenses and changes in net position reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities, expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services that report fees, fines and forfeitures, and other charges to users of the District's services; (2) members deposits water meters. All other revenues and expenses not properly included with program revenues or meter deposits will be reported as other revenues and expenses.

The District has just one fund to present in the basic financial statements that accounts for water sales and service to customers of the District. This fund is reported as an enterprise fund.

3. Measurement focus and Financial Statement Presentation

The financial statements of the District are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when relate cash flows take place. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Reimbursements are reported as reductions to expenses or capital assets.

Operating income reported in the financial statements includes revenues and expenses related to the primary, continuing operations of the District. Operating revenues are charges to customers for sales or services. Operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Non-operating revenues and expenses consist of gain (loss) on sales of assets, realized and unrealized gains and losses on investments, and investment income. Other revenues and expenses consist primarily of benefit units sold or refunded.

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 needed.

Budgets are adopted for internal use only and are not required to be published or approved by outside agencies. All budgets are prepared using the accrual basis of accounting.

NOTE A. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICEIES - continued

4. Fund Types and Major Funds

***Governmental funds*:** The District has no governmental funds.

***Business-type funds*:** The District has one major enterprise fund. The Water fund accounts for the operating activities of the District's water utilities services.

5. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are short term, highly liquid investments having original maturities of three months or less, not restricted for contingencies.

6. Accounts Receivable

The direct write-off method is used for bad debts. Accounts receivable are written off when deemed uncollectible. Accordingly, no allowance for bad debts has been recorded.

7. Inventory

Inventory consist of pipe, meters and other materials used by the District in its daily operations and is valued at cost which is based upon invoices received at the time the inventory item is paid.

8. Property, Plant and Equipment

Property, plant and equipment are reported at cost. Major improvements and betterments to existing property and equipment are capitalized. Expenditures for maintenance and repairs that do not extend the life of the applicable assets are charged to expenses as incurred. Historically, the District has received reimbursements from customers (i.e. line extensions) which are accounted for as reductions of costs.

Depreciation is provided on the straight-line basis over the estimated useful life of the assets as follows:

Equipment and Lines	40 years
Building, Pump Station, and major projects	40 years
Furniture and equipment	3 - 10 years
Tower fencing	7 - 20 years

9. Income Tax

The District is not subject to federal or state income taxes as a quasi-governmental unit.

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

11. Revenues
Operating revenues and expenses included the sale of water and the expenses associated with pumping and cleaning the water. Non-operating revenues and expenses consist of investment income and sales of assets.

NOTE A. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

12. Deferred Outflows and Inflows of Resources

The District does not have any deferred outflows or inflows to report at the current time.

13. Restricted and Unrestricted Resources

The District's policy is to first expend restricted resources should the expenditure qualify for the restricted purpose before expending unrestricted funds.

NOTE B - ASSETS, LIABILITIES AND NET POSITION

1. Cash and Investments

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 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.

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%. The District did not have any designated "peak periods" for the current year. All deposits were legally secured at December 31, 2023.

At year-end the carrying amount of the District's deposits was $51,495,386 for 2023. The bank balance was $1,505,211 for 2023. The difference between book and bank balance is outstanding deposits and checks. The bank balance was held by two banks which reduces concentration of credit risk. Of the bank balance $500,000 for 2023 was covered by FDIC insurance and $992,600 for 2023 was collateralized with securities held by the pledging financial institutions' agents in the District's name. As of December 31, 2023 the District has $12,611 in funds at a bank which is unsecured.

2. Accounts Receivable

Accounts receivable	2023
Currently due from customers	$ 18,570
Past due from customers	2,585
	$ 21,155

3. Inventories

Inventory (if any) is valued at costs and is used internally and not for resell.

Rural Water District Numas cash ober 4
Miami County
Drexel, Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE B. - ASSETS, LIABILITIES AND NET POSITION - continued

4. Capital Assets are detailed as follows:

	2023			
Capital assets	Beginning Balance	Additions	Retirements	Ending Balance
Land	$ 1,000	$ 0	$ 0	$ 1,000
Tower Site and Fencing	32,279	0	0	32,279
Equipment & Water Lines	1,683,205	0	0	1,683,205
Building	35,354	782	0	36,136
Furniture & Office Equipment	17,684	0	0	17,684
Totals at cost	1,769,522	782	0	1,770,304
Accumulated depreciation:	1,170,649	48,103	0	1,218,752
Net Fixed Assets	$ 598,873	$ (47,321)	$ 0	$ 551,552

There were no impairment of capital assets as described above as of December 31, 2023

5. Compensated Absences

The District does not have a written plan for sick leave or vacation pay.

NOTE C. - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

The District adopts an internal budget for the support and maintenance of the District.

2. Compliance with Kansas Statutes

As of year-end the District has funds unsecured at one bank in the amount of $12,611. Management is not aware of any other statutory violations for the years ended December 31, 2023.

NOTE D. - OTHER INFORMATION

1. Retirement Plans

The District does not sponsor a retirement plan.

2. 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; and natural disasters for which the District carries commercial insurance. During the last three years, claim settlements have not exceeded insurance coverage.

3. Concentrations of Risk

The District purchases the majority of its water from Rural Water District Number 2 the City of Wichita.

NOTE D. - OTHER INFORMATION - continued

4. Net Position

Net position in proprietary fund financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through State statute. As of December 31, 2023 or 2022 the District did not have any restricted net position.

5. Subsequent events

Management has evaluated events through March 20, 2024. Management is not aware of any substantial issues which need to be disclosed at this time.

SUPPLEMENTARY INFORMATION

Rural Water District Number 4
Miami County
Drexel, Missouri
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
For the Year Ended December 31, 2023

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Water Sales	$ 162,000	$ 149,743	$ (12,257)
Monthly Minimum	140,000	140,520	520
Other Fees and Receipts	4,000	1,985	(2,015)
Installation Charges	0	8,721	8,721
Total Revenues	306,000	300,969	(5,031)
Cost of Water	101,000	113,957	(12,957)
Total Cost of Sales	101,000	113,957	(12,957)
Gross Profit	205,000	187,012	(17,988)
Operating Expenses			
Wages - regular	72,400	67,875	(17,988)
Wages - bonus	0	1,600	(5,031)
Wages - extra hours	0	2,376	(2,376)
Payroll Taxes	7,200	5,582	1,618
Maintenance Contracts	0	12,684	(12,684)
Contract Labor	18,000	17,335	665
Repairs	1,500	125	1,375
Legal Fees	11,100	280	10,820
Locate Fees	0	1,082	(1,082)
Engineering Fees	0	922	(922)
Supplies	18,000	24,865	(6,865)
County Fees	900	0	900
Water Protection Tax	0	1,481	(1,481)
Insurance	14,000	8,017	5,983
Dues & Subscriptions	500	512	(12)
Postage	4,500	4,140	360
Office Supplies	5,000	5,221	(221)
Utilities	2,400	2,021	379
Water Testing	1,200	918	282
Bank Charges	480	325	155
Travel	9,520	2,386	7,134
Conferences	0	1,570	(1,570)
Meals & Entertainment	0	1,013	(1,013)
Mileage Reimbursement	2,000	829	1,171
Telephone	3,000	2,091	909
Depreciation	50,000	48,103	1,897
Building & Ground Improvements	3,000	0	3,000
Truck Expenses - Gas - License - Maintenance	11,930	12,393	(463)
Other	0	16	(16)
Total Operating Expenses	236,630	225,762	10,868
Total Operating Income (Loss)	(31,630)	(38,750)	(7,120)

See Independent Auditor's Report.

Rural Water District Number 4
Miami County
Drexel, Missouri
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
For the Year Ended December 31, 2023

	Budget	Actual	Variance Favorable (Unfavorable)
Non-Operating Revenues (Expenses)			
Interest Income	$ 18,000	$ 33,206	$ 15,206
Total Non-Operating Income (Loss)	18,000	33,206	15,206
Other Revenues and (Expenses)			
Sales of benefit units	0	23,966	23,966
Net Income	$ (13,630)	$ 18,422	$ 32,052