RURAL WATER DISTRICT #1, INC.
CRAWFORD COUNTY, KANSAS

Regulatory Basis Financial Statement,
Independent Auditors' Report, and
Regulatory-Required Supplementary Information
For the Year Ended
December 31, 2022

RURAL WATER DISTRICT #1, INC.
CRAWFORD COUNTY, KANSAS

TABLE OF CONTENTS

	PAGE NUMBER
Independent Auditors' Report	1-2
Basic Financial Statement:	
Summary Statement of Regulatory Basis Receipts, Expenditures and Unencumbered Cash	3
Notes to the Financial Statement	4 – 8
Regulatory-Required Supplementary Information:	
Schedule 1	
Schedule of Regulatory Basis Receipts and Expenditures – Actual Water Utility Fund	9

Diehl
Banwart
Bolton
Certified Public Accountants PA

INDEPENDENT AUDITORS' REPORT

Board of Directors
Rural Water District #1, Inc.
Crawford County, Kansas

Adverse and Unmodified Opinions
We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Rural Water District, #1, Inc., Crawford County, Kansas, as of and for the year ended December 31, 2022 and the related notes to the financial statement.

Adverse Opinion on U.S. Generally Accepted Accounting Principles
In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2022 or changes in financial positions and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting
In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the District as of December 31, 2022 and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Basis for Adverse and Unmodified Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the *Kansas Municipal Audit and Accounting Guide.* Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement 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 adverse and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles
As discussed in Note 1 of the financial statement, the financial statement is prepared by the District on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide,* which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statement
Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is 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

Auditor's Responsibilities for the Audit of the Financial Statement (Continued)
in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, 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 statement.
- 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 statement.
- 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.

Report on Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The individual fund schedule of regulatory basis receipts and expenditures-actual (Schedule 1 as listed in the table of contents) is presented for analysis and is not a required part of the basic financial statement, however is required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. 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 statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, 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 basic financial statement as a whole, on the basis of accounting described in Note 1.

The 2021 Actual column presented in the schedule of regulatory basis receipts and expenditures – actual (Schedule 1 as listed in the table of contents) is also presented for comparative analysis and was not a required part of the 2021 basic financial statement upon which we rendered an unmodified opinion dated January 24, 2022. The 2021 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link http://admin.ks.gov/offices/chief-financial-officer/municipal-services. Such 2021 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2021 basic financial statement. The 2021 comparative information was subjected to the auditing procedures applied in the audit of the 2021 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2021 basic financial statement or to the 2021 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2021 comparative information is fairly stated in all material respects in relation to the 2021 basic financial statement as a whole, on the basis of accounting described in Note 1.

Diehl, Banwart, Bolton, CPAs, PA

DIEHL, BANWART, BOLTON, CPAs PA

January 31, 2023
Fort Scott, Kansas

CRAWFORD COUNT RURAL WATER DISTRICT #1, INC.
CRAWFORD COUNTY, KANSAS
Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2022

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
Business Fund: Water Utility	$ 216,714.78	$ 291,447.10	$ 279,942.17	$ 228,219.71	$ 6,978.90	$ 235,198.61

Compensation of Cash:		
	Cash in bank - operating checking account	$ 60,068.77
	Cash in bank - savings accounts	24,714.00
	Certificates of Deposit	150,415.84
	Totals	$ 235,198.61

The notes to the financial statement are an integral part of this statement.

RURAL WATER DISTRICT #1, INC.
CRAWFORD COUNTY, KANSAS

Notes to Financial Statement
For the Year Ended December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement of the Rural Water District #1, Inc., Crawford County, Kansas, has been prepared in order to show compliance with the cash basis laws of the State of Kansas. The Kansas Municipal Audit and Accounting Guide (KMMAG), as approved by the director of the Kansas Division of Accounts and Reports, establishes the guidelines for the regulatory basis of accounting in the state of Kansas. The more significant of the District's accounting policies follow.

Nature of Organization
The Rural Water District #1, Inc., Crawford County, Kansas, is a quasi-municipal corporation governed by an elected seven-member council. The District provides water to over 200 members of the District in rural Crawford County, Kansas. Currently, the District pumps water from a well in Crawford County, Kansas. All water sales are made to residents in the area of the District. Accordingly, the District's operations are dependent upon the economic conditions of the area.

Reporting Entity
This financial statement presents the Rural Water District #1, Inc., Crawford County, Kansas (primary government). There are no related municipal entities which should be accounted for in the District's financial statement.

Basis of Presentation - Fund Accounting
A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restriction, or limitations.

The following type of funds comprise the financial activities of the Rural Water District #1, Inc., Crawford County, Kansas:

Business fund – funds financed in whole or part by fees charged to users of the goods or services (i.e. enterprise and internal service fund, etc.)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Regulatory Basis of Accounting and Departures from Accounting Principles Generally Accepted in the United States of America

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the District to use the regulatory basis of accounting.

Budgetary Information
Kansas statutes do not require budgets for Rural Water Districts.

Deposits and Investments
Deposits and investments include a now checking account, savings accounts, and certificates of deposit. Kansas statutes permit investment in savings accounts, certificates of deposit, and, in certain cases, obligations of the U.S. Treasury.

Compensated Absences
The District does not pay for sick, vacation, or personal days for District employees.

Income Taxes: The Rural Water District #1, Inc., of Crawford County, Kansas, is recognized by the Internal Revenue Service as a not-for-profit municipality corporation, and is exempt from Federal and State income taxes. Accordingly, this financial statement does not include a provision for income taxes.

Termination and Post Employment Benefits
The District does not have termination or post employment benefits.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Kansas Statutes
This financial statement has been prepared in order to show compliance with the cash basis laws and Statutes of the State of Kansas. The District was in apparent compliance with the cash basis laws and Statutes of the State of Kansas.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Compliance with Bond Rate Covenants

The District's Water System Revenue Bonds, Series 2020, contain the following covenants:

a. The District shall charge fees sufficient to pay the cost of operations, maintenance, improvements and debt service as well as maintain reserves. Net revenues must be at least 110% of the current year's debt service requirement. For the year ended December 31, 2022, net revenues totaled $163,121.34, or 180% of the current year's debt service requirement of $90,392.50.

3. DEPOSITS AND INVESTMENTS

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

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

Concentration of credit risk. State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

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 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 does not have any "peak periods" designated.

At December 31, 2022, the District's carrying amount of deposits was $235,198.61 and the bank balance was $235,373.27. The bank balance was held by one bank which did result in a concentration of credit risk. Of the bank balance, $235,373.27 was secured by FDIC insurance.

4. BENEFIT UNIT DEPOSITS

Customers of the District are required to pay a deposit for a benefit unit prior to connecting to a rural water line. There were three new benefit unit deposit added during the year.

5. 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 District manages these risks of loss through various insurance policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

6. FIXED ASSETS

As discussed in Note 1, regulatory basis financial statements do not record property, plant and equipment as assets of the District. In addition, depreciation expense of the assets is not recorded. However, the District does keep track of fixed assets and the depreciation thereon for internal monitoring.

In connection with Fixed Asset accounting, plant and equipment are capitalized at cost and are depreciated on the straight-line method over the estimated useful life of the assets as follows:

Office Equipment	5 Years
Machinery	10 Years
Plant and Equipment	30 to 40 Years
Bond Insurance Costs	30 Years

Maintenance and repairs are charged to expense as incurred. Major renewals and improvements are capitalized.

Fixed assets and accumulated depreciation changed for the year as follows:

Fixed Asset	Beginning Balance	Additions	Deletion	Ending Balance
Water Plant and Lines	$ 2,559,273.93	$ 61,223.91	$ -	$ 2,620,497.84
Office Equipment	36,869.05	-	-	36,869.05
Bond Insurance Costs	36,715.00	-	-	36,715.00
	$ 2,632,857.98	$ 61,223.91	$ -	$ 2,694,081.89
Accumulated Depreciation	$ 877,060.39	$ 68,753.36	$ -	$ 945,813.75
Totals	$ 1,755,797.59	$ (7,529.45)	$ -	$ 1,748,268.14

7. LONG-TERM DEBT

The District issued Water Revenue Bonds, Series 2020 dated January 7, 2020 in the amount of $1,390,000 for the purpose of refunding the Series 2013 bonds outstanding. The bonds require an annual principal payment ranging from $55,000 to $75,000 and semi-annual interest payments at interest rates ranging from 1.70% to 3.25%, and are scheduled to mature on August 1, 2041.

7. LONG-TERM DEBT (Continued)

Changes in long-term liabilities for the District for the year ended December 31, 2022, were as follows:

	12/31/2021	Principal Debt	Paid	12/31/2022	Interest Paid
Water Revenue Bonds					
Series 2020	$ 1,310,000.00	$ -	$ 55,000.00	1,255,000.00	$ 35,392.50
Totals	$ 1,310,000.00	$ -	$ 55,000.00	$ 1,255,000.00	$ 35,392.50

Current maturities of long-term debt and interest for the next five years and in five-year increments through maturity are as follows:

December 31,	PRINCIPAL	INTEREST	TOTAL
2023	$ 55,000.00	$ 34,402.50	$ 89,402.50
2024	55,000.00	33,357.50	88,357.50
2025	60,000.00	32,257.50	92,257.50
2026	60,000.00	30,997.50	90,997.50
2027	60,000.00	29,677.50	89,677.50
2028 - 2032	325,000.00	125,010.00	450,010.00
2033 - 2037	355,000.00	78,850.00	433,850.00
2038 - 2042	285,000.00	21,287.50	306,287.50
TOTAL	$1,255,000.00	$ 385,840.00	$1,640,840.00

8. SUBSEQUENT EVENTS

Management has evaluated events and transactions occurring subsequent to December 31, 2022 through January 31, 2023, the date the financial statement was available to be issued. During this period, there were no subsequent events requiring recognition in the financial statement except as follows:

REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION

Schedule 1

CRAWFORD COUNT RURAL WATER DISTRICT #1, INC.
CRAWFORD COUNTY, KANSAS
WATER UTILITY FUND
Schedule of Receipts and Expenditures - Actual - Regulatory Basis
For the Year Ended December 31, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2021 Actual	2022 Actual
Receipts		
Operating Receipts		
Metered water sales	$ 197,708.22	$ 208,250.90
Nonoperating Receipts		
Grant money	-	57,570.86
Interest income	3,060.88	3,081.28
Insurance and other reimbursements	-	8,019.42
Miscellaneous income	3,139.31	5,524.64
Benefit Unit deposits	6,000.00	9,000.00
Total Receipts	209,908.41	291,447.10
Expenditures		
Operating Expenditures		
Operating supplies and maintenance	35,181.49	54,986.97
Payroll	13,894.00	18,090.00
Payroll taxes	1,062.89	1,365.98
Utilities and telephone	13,468.75	16,578.85
Office supplies	2,853.61	3,304.47
Insurance	7,676.00	8,093.00
Professional fees	5,765.00	4,387.50
Meetings and reimbursements	8,831.48	13,883.02
Sales taxes and water fees	4,190.26	4,140.35
Miscellaneous expense	442.39	3,495.62
Nonoperating Expenditures		
Debt Service		
Principal paid	55,000.00	55,000.00
Interest paid	36,327.50	35,392.50
Capital Outlays	8,489.08	61,223.91
Total Expenditures	193,182.45	279,942.17
Receipts Over (Under) Expenditures	16,725.96	11,504.93
Unencumbered Cash, Beginning	199,988.82	216,714.78
Unencumbered Cash, Ending	$ 216,714.78	$ 228,219.71