RENO COUNTY RURAL WATER DISTRICT NO. 4
HUTCHINSON, KS
FINANCIAL STATEMENTS
WITH
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDING DECEMBER 31, 2022
(With summarized financial information for the year ended December 31, 2021)

Daniel L. Drake, CPA, P.A.
401 W. First, P.O. Box 1245, Hutchinson, Kansas 67504-1245
Telephone # (620) 662-4203, Fax # (620)662-4205
dan@dandrakecpa.com

RENO COUNTY RURAL WATER DISTRICT NO. 4

December 31, 2022

INDEX

	Pages
Independent Auditors' Report	1-2
Summary Statement of Cash Receipts, Expenditures and Unencumbered Cash - Regulatory Basis	3
Notes to Financial Statement	4-6
Schedule of Receipts and Expenditures - Regulatory Basis	7

Daniel L. Drake CPA PA
401 West First P.O. Box 1245 Hutchinson KS 67504-1245 Ph: 620.662.4203 Fx: 620.662.4205 dan@dandrakecpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Reno County Rural Water District #4

Adverse and Unmodified Opinions

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Reno County Rural Water District No. 4, 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 Reno County Rural Water District No. 4 as of December 31, 2022, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting
In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balances of the Reno County Rural Water District No. 4 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 2.

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 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 Reno County Rural Water District No. 4 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 described in Note 2 of the financial statement, the financial statement is prepared by the Reno County Rural Water District No. 4 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 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management for the Financial Statement

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 2; 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.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Reno County Rural Water District No. 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.

Auditors' 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 auditors' 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 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 Reno County Rural Water District No. 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 statement.
- conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Reno County Rural Water District No. 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.

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 summary of regulatory basis expenditures-actual and budget and individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are 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 2.

Daniel L. Drake, CPA, P.A.

March 6, 2023

RENO COUNTY RURAL WATER DISTRICT NO. 4
Hutchinson, Kansas
Summary Statement of Cash Receipts, Expenditures, and Unencumbered Cash- Regulatory Basis
For the Year Ended December 31, 2022

Funds	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds:						
General Fund	$ 390,703	$ 73,665	$ 71,864	$ 392,504	$ 6,311	$ 398,815
Total Reporting Entity	$ 390,703	$ 73,665	$ 71,864	$ 392,504	$ 6,311	$ 398,815
Composition of Cash:						
Checking Account						$ 41,278
Certificate of Deposits						357,537
Total Composition of Cash						$ 398,815

See Independent Auditor's Report
The accompanying notes are an integral part of these financial statements.

RENO COUNTY RURAL WATER DISTRICT NO. 4
Hutchinson, Kansas
NOTES TO FINANCIAL STATEMENT
December 31, 2022

Note 1. Municipal Financial Reporting Entity

Reno County Rural Water District No. 4 (the District) was organized for the purpose of providing a water supply system for the landowners within the area of the District. The District was organized as a quasi-municipal corporation under Kansas statute K.S.A 82a.

Note 2. Summary of Significant Accounting Policies

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

The Kansas Municipal Audit and Accounting Guide (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 Council to use the regulatory basis of accounting.

Regulatory Basis Fund Types

The following categories of funds comprise the financial activities of the District for the year ended December 31, 2022:

General Fund: Funds financed in whole or in part by fees charged to users of the goods or services.

Budgetary Information

Applicable Kansas statutes require that budgets be legally adopted for all funds unless exempted by a specific statute. The District is not a tax-levying authority and is not required to publish its annual budget or hold public budget hearings under Kansas statutes. However, the District elected to prepare a budget which is included in the financial statement.

Note 3. 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.

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.

Note 3. Deposits and Investments - Continued

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 Council has not designated a "peak period". All deposits were legally secured at December 31, 2022.

Deposits: At December 31, 2022 the District's carrying amount of deposits was $398,815 and the bank balance was the same, $398,815. The entire bank balance was covered by federal depository insurance.

Regardless of the maturity terms management's intent is to use all certificate of deposits as long-term investments. The investments at December 31, 2022 consist of the following:

		Investment Maturities (Years)		
Investment Type	Fair Value	Less than 1	1-2	Rating U.S.
Certificate of Deposit	$ 357,537	$ 229,300	$ 128,237	N/A

The District's investments are valued at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. Fair value for the certificates of deposit is determined by the agreed upon interest rate, deposit amount and elapsed time (level 2 in GASB hierarchy of fair value measurements) at the measurement date and changes in fair value are reported in the interest and other account in the Regulatory Supplementary Information.

Note 4. Subsequent Events

Management evaluated the effects of subsequent events on the financial statements through March 6, 2023 the date the financial statements were available to be issued.

Note 5. Stewardship, Compliance and Accountability

Compliance with Kansas Statutes

Management is not aware of any statutory violation incurred in the year ended December 31, 2022.

Note 6. Concentrations of Risk

Major supplier

The District purchases 100 percent of its water from the City of Hutchinson, Kansas. There are no other suppliers of water available for the District.

Note 7. 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 has purchased commercial insurance for these potential risks. There have been no significant reductions changes in insurance coverage from 2021 to 2022 and there were no settlements that exceeded insurance coverage in the past three years.

During the ordinary course of its operations, the District is exposed to various claims, legal action and complaints. It is of the opinion of the District's Board of Directors that these matters are not anticipated to have a material financial impact on the District.

Note 8. Related Parties

All of the members of the Board of Directors are District customers. For all of the Board members the only material transactions were water purchases made on the same terms as all other District customers. All Board members' accounts were current at year end.

Note 9. Budgetary Information

Kansas statutes provide an exemption for the District to legally adopt a budget for the fund types used by the District. The budget established by the District is for management use only. Expenditures are controlled by internal spending limits monitored by the Board.

RENO COUNTY RURAL WATER DISTRICT NO. 4
Hutchinson, Kansas
General Fund
Schedule of Receipts and Expenditures - Regulatory Basis
For the Year Ended December 31, 2022
(With summarized financial information
for the year ended December 31, 2021)

	2022	2021
Cash Receipts		
Water sales	$ 64,290	$ 62,624
Service charges	3,140	-
Late charges	1,725	4,620
Interest & other	4,510	5,038
Total Receipts	73,665	72,282
Expenditures		
Cost of water	44,944	43,046
Cost of water - surcharge	3,072	3,072
Salaries	9,201	6,767
Payroll taxes	1,004	826
Contract labor	1,726	1,063
Repairs and maintenance	2,272	1,728
Insurance	500	500
Board expense	1,214	619
Office supplies	2,688	2,162
Supplies	92	110
Legal and accounting	1,800	1,800
Dues and membership	515	231
Licenses, fees and tests	1,139	1,169
Bank charges	35	25
Printing and postage	1,406	503
Miscellaneous	56	561
Deposit payment	200	320
Total Expenditures	71,864	64,502
Receipts Over (Under) Expenditures	1,801	7,780
Unencumbered Cash, Beginning	390,703	382,923
Unencumbered Cash, Ending	$ 392,504	$ 390,703