TBCO
Troutt Beeman & Co., P.C.
—CPAs & BUSINESS ADVISORS—

January 17, 2023

Mr. Martin Bland, Chairman
Rural Water District No. 1,
Ellsworth County, Kansas
103 North Douglas Avenue
Ellsworth, Kansas 67439

Dear Martin Bland:

We have enclosed three bound and ten unbound copies of the financial statements of Rural Water District No. 1, Ellsworth County, Kansas, for the years ended December 31, 2021 and 2020.

We have also enclosed ten copies of our Communication with Those Charged with Governance and of our Report to Management.

It is our pleasure to be of service to the District. If you have any questions regarding the financial statements or report to management, please give me a call.

Sincerely,

Michael E. Groszek, CPA
TROUTT, BEEMAN & CO, P.C.

MEG/akd

Enclosures

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RURAL WATER DISTRICT NO. 1
ELLSWORTH COUNTY, KANSAS

FINANCIAL STATEMENTS
FOR THE YEARS ENDED

DECEMBER 31, 2021 AND 2020

TOGETHER WITH

INDEPENDENT AUDITOR'S REPORT

RURAL WATER DISTRICT NO.1
ELLSWORTH COUNTY, KANSAS

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Troutt Beeman & Co., P.C.
—CPAs & BUSINESS ADVISORS—

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rural Water District No.1
Ellsworth County, Kansas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities of Rural Water District No.1 Ellsworth County, Kansas (the District), as of and for the year ended December 31, 2021 and 2020, and related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Rural Water District No. 1 Ellsworth County, Kansas, as of December 31, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years 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 (GAAS). 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 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 audit opinions.

Responsibilities of Management for the Financial Statements

The District's 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 the District's ability to continue as a going concern for one year after the date that the financial statements are 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 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 statements.

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 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 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 statements.
- 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.

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 required by the Governmental Accounting Standards Board who considers it to be 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 Rural Water District No. 1 Ellsworth County, Kansas's basic financial statements. The budgetary comparison information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison 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. We have applied certain limited procedures to the supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Troutt, Beeman & Co., P.C.
Olathe, Kansas
January 13, 2023

RURAL WATER DISTRICT NO. 1
ELLSWORTH COUNTY, KANSAS

STATEMENTS OF NET POSITION
DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,942,457	$ 2,238,000
Accounts receivable, net	209,179	209,071
Inventories	217,568	117,679
Prepaid expenses	116,962	112,776
Total current assets	2,486,166	2,677,526
NONCURRENT ASSETS:		
Restricted assets,		
Cash and cash equivalents	1,455,293	1,094,705
Other assets:		
Start up costs, net of amortization	210,763	254,363
Investment in Co-op stock	254,904	200,368
Total other assets	465,667	454,731
Capital assets:		
Land	125,987	25,787
Construction in progress	-	21,569
Buildings and improvements	243,056	243,056
Water system	21,092,191	19,928,551
Operating equipment	336,361	352,059
Furniture	56,398	56,470
Vehicles	239,035	239,746
Accumulated depreciation	(11,225,376)	(10,852,649)
	10,867,652	10,014,589
Total non-current assets	12,788,612	11,564,025
TOTAL ASSETS	15,274,778	14,241,551
LIABILITIES		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 260,139	$ 253,122
Accounts payable	644,941	278,451
Accrued expenses	13,809	18,823
Total current liabilities	918,889	550,396
NONCURRENT LIABILITIES,		
Notes payable, less current maturities	359,842	620,254
TOTAL LIABILITIES	1,278,731	1,170,650
DEFERRED INFLOWS OF RESOURCES		
CURRENT DEFERRED INFLOWS,		
Developer deposits	952,308	847,322
NET POSITION		
Invested in capital assets, net of related debt	10,247,671	9,141,213
Restricted for debt service	194,946	197,808
Restricted for replacement of capital assets	430,692	247,775
Unrestricted	2,170,430	2,636,783
TOTAL NET POSITION	13,043,739	12,223,579
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	15,274,778	$ 14,241,551

See accompanying notes.

RURAL WATER DISTRICT NO. 1
ELLSWORTH COUNTY, KANSAS

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
OPERATING REVENUES:		
Water sales	$ 2,412,377	$ 2,261,681
Customer service and repairs	139	495
	2,412,516	2,262,176
OPERATING EXPENSES:		
Source of supply:		
Water purchases	122,051	112,340
Chemicals	198,773	186,460
Depreciation and amortization	482,804	474,085
Utilities	215,994	207,609
Repairs	126,385	138,207
Supplies	11,140	9,463
Water tests and protection fee	24,536	23,489
Salaries and wages	575,902	494,550
Vehicle	69,618	45,432
Insurance	62,148	69,107
Payroll taxes and benefits	190,772	156,736
Office	35,266	27,688
Professional fees	129,486	147,547
Rent	3,278	250
Miscellaneous	29,207	29,377
	2,277,360	2,122,340
Net operating income	135,156	139,836
NON-OPERATING REVENUE (EXPENSE):		
Interest and dividend income	66,626	11,058
Miscellaneous income	31,389	9,877
Intergovernmental	117,350	-
Gain on disposal of capital assets	(1,065)	-
Interest expense	(19,921)	(27,664)
	194,379	(6,729)
Net income before capital contributions	329,535	133,107
CAPITAL CONTRIBUTIONS	490,625	153,877
Net income	820,160	286,984
NET POSITION:		
Beginning of year	12,223,579	11,936,595
End of year	$ 13,043,739	$ 12,223,579

See accompanying notes.

RURAL WATER DISTRICT NO. 1
ELLSWORTH COUNTY, KANSAS

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Received from customers	$ 2,412,408	$ 2,216,359
Payments to suppliers	(765,467)	(756,551)
Payments to employees	(770,527)	(654,874)
Other receipts	145,574	8,473
Net cash provided by operating activities	1,021,988	813,407
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital contributions received	490,625	153,877
Developer deposits	104,986	790,064
Proceeds from sale of capital assets	4,201	-
Acquisition and construction of assets	(1,294,368)	(706,651)
Principal paid on capital debt	(253,395)	(246,777)
Interest paid on capital debt	(21,082)	(27,664)
Net cash used by capital and related financing activities	(969,033)	(37,151)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(54,536)	-
Sale of investments	-	5,065
Investment income	66,626	11,058
Net cash provided by investing activities	12,090	16,123
Net increase in cash and cash equivalents	65,045	792,379
Cash and cash equivalents, Beginning of the year	3,332,705	2,540,326
Cash and cash equivalents, End of the year	$ 3,397,750	$ 3,332,705
Cash and cash equivalents, Unrestricted	$ 1,942,457	$ 2,238,000
Cash and cash equivalents, Restricted	1,455,293	1,094,705
	$ 3,397,750	$ 3,332,705

See accompanying notes.

RURAL WATER DISTRICT NO. 1
ELLSWORTH COUNTY, KANSAS

STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 135,156	$ 139,836
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	482,804	474,085
Miscellaneous nonoperating income	28,224	8,473
Receivables, net	(108)	(45,817)
Inventories	(99,889)	35,341
Prepaid items	(4,186)	(7,863)
Intergovernmental	117,350	-
Accounts payable	366,490	212,940
Accrued payroll and vacation	(3,853)	(3,588)
Total adjustments	886,832	673,571
Net cash provided by operating activities	$ 1,021,988	$ 813,407

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization: Rural Water District No.1, Ellsworth County, Kansas (the District), is incorporated as a public corporation in accordance with Kansas statutes. The District provides water service primarily to residents in eight counties. The District provided service to 1,524 customers at December 31, 2021. Credit is extended to these customers in the ordinary course of business.

The District is considered a governmental unit for financial reporting purposes. The District does not have any component units as defined by the criteria set forth in generally accepted accounting principles.

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. These accounts are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The District records all of its activity in one fund, the Proprietary Fund. Proprietary funds are used to account for operations that are financed and conducted in a manner similar to private business enterprises where the intent is that costs be recovered through user charges.

Accrual 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.

Accounts Receivable: Receivables and revenues of the District are pledged as collateral on the note payable. As a result of providing water utility services, the District has extended credit to its patrons. The District uses the allowance method to compute bad debt expense. At December 31, 2021, the District management determined a $19,900 allowance was necessary for uncollectible accounts.

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

Investments: Investments consist of stock and deferred proration's in the Ellsworth County Coop. Investments are carried in the financial statements at cost, which approximates market.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Capital Assets: Capital assets with an initial, individual cost of $1,000 or more and expected useful lives in excess of one year are reported at historical cost. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets except land and construction in progress are provided using the straight-line method over estimated useful lives as follows:

Rural water system	15 - 50 years
Buildings and improvements	10 - 40 years
Operating equipment	5 - 10 years
Office equipment	5 - 10 years
Start-up costs	40 years

Cash and Restricted Cash: Certain monies are restricted for specific purposes by bond covenants and are unavailable for general operations. The Board has invested the District's money into bank accounts and certificates of deposit.

Debt Discounts and Issuance Costs: Bond discounts and issuance costs are expensed as incurred.

Fund Equity - Government-Wide Statements: Equity is classified as net position and displayed in three components:

1. Net investment in capital assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

2. Restricted net assets: Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

3. Unrestricted net assets: All other net assets that do not meet the definition of "restricted."

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.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Statement of Cash Flows: A statement of cash flows has been presented in accordance with Governmental Accounting Standards Board Statement 9 for the District as it operates predominantly as a proprietary fund. For purposes of the statement of cash flows, demand deposits, and all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, are considered to be cash equivalents.

Compensated Absences: The District policy allows full-time employees, after working 12 consecutive months, to accumulate up to 120 hours of paid vacation. Pay can be received for a maximum of 5 days in lieu of using the unused vacation days. Upon resignation or termination, an employee will be compensated for any accrued but unused vacation leave. Sick leave accumulates at 12 days per year up to a maximum of 60 days. Two days of personal leave are allowed with no carryover of unused days. Unused sick leave can be carried over to the next year. However, no sick leave is paid upon resignation or termination.

Restricted vs. Unrestricted Net Assets: It is the District's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for the purposes for which both restricted and unrestricted net position are available.

Operating Revenues and Expenses: Operating revenues and expenses for the proprietary fund 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.

Deferred Inflows of Resources: In addition to liabilities, the statement of net position will sometimes report a separate element for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and will not be recognized as an inflow of resources or revenues, until that time. The District has developer deposits are reported in this category on the statement of net position. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

NOTES TO FINANCIAL STATEMENTS

2. COLLATERALIZATION:

At December 31, 2021, cash balances were 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 deposit at all times.

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. As of December 31, 2021, none of the District's bank balances of $3,537,965 were exposed to custodial credit risk.

The District's policy is to collateralize demand deposits with securities held by the financial institution's agent and in the District's name in accordance with Kansas statutes.

NOTES TO FINANCIAL STATEMENTS

3. CAPITAL ASSETS:

A summary of changes in capital assets for 2021 follows:

	Beginning Balance 12/31/2020	Additions	Retirements	Ending Balance 12/31/2021
Capital assets not being depreciated:				
Land and improvements	$ 25,787	$ 100,200	$ -	$ 125,987
Construction in progress	21,569	-	21,569	-
Total capital assets not being depreciated	47,356	-	21,569	125,987
Capital assets being depreciated:				
Buildings and improvements	243,056	-	-	243,056
Water system	19,928,551	1,163,640	-	21,092,191
Operating equipment	352,059	-	15,698	336,361
Furniture	56,470	4,097	4,169	56,398
Vehicles	239,746	48,000	48,711	239,035
Total capital assets being depreciated	20,819,882	1,215,737	68,578	21,967,041
Less accumulated depreciation:				
Buildings and improvements	147,111	9,780	-	156,891
Water system	10,120,675	399,733	-	10,520,408
Operating equipment	342,987	1,882	13,598	331,271
Furniture	54,256	1,083	4,169	51,170
Vehicles	187,620	26,727	48,711	165,636
Total accumulated depreciation	10,852,649	439,205	66,478	11,225,376
Total capital assets being depreciated, net	9,967,233	776,532	2,100	10,741,665
Capital assets, net	$ 10,014,589	$ 776,532	$ 23,669	$ 10,867,652

NOTES TO FINANCIAL STATEMENTS

4. LONG-TERM DEBT:

Long-term debt at December 31, 2021, consisted of the following:

	2021
First Bank Kansas, Note Payable, interest of 2.7%, due in monthly installments of $22,870 untill maturity on May 1, 2024	$ 619,981
Less: current maturities	260,139
	$ 359,842

All assets, with the exception of the main office, are pledged as collateral on the debt.

Changes in long-term debt of the District for the year ended December 31, 2021, consisted of the following:

	Balance December 31, 2020	Additions	Retirements	Balance December 31, 2021	Amounts Due within One Year
Notes payable	$ 873,376	$ -	$ 253,395	$ 619,981	$ 260,139

Provisions of the loan indentures make the following requirements for the District to assure profitable operation and timely repayment of debt.

Establishment of rates adequate to insure "net revenues" (as defined by the indenture) of the District, are at least equal to 125% of the total principal and interest payments due each year.

The District is required to establish a system improvement reserve account of which the funds are to pay for reasonable and proper current expenses of the system for a period of 30 days. The District is also required to establish and adequately fund principal and interest reserve accounts.

At December 31, 2021, the District was in compliance with the provisions of the loan indentures.

NOTES TO FINANCIAL STATEMENTS

4. LONG-TERM DEBT (Continued):

Aggregate annual principal and interest payments applicable to long-term notes are:

Years Ending December 31,	Principal	Interest	Total Debt Service
2022	$ 260,139	$ 14,297	$ 274,436
2023	267,350	7,085	274,435
2024	92,492	781	93,273
	$ 619,981	$ 22,163	$ 642,144

5. RESTRICTED CASH:

Restricted cash at December 31, 2021, consisted of the following:

2014 First Bank Kansas, Note Payable reserves:	
Debt service	$ 59,666
Developer doposits held in escrow	847,556
System improvement	548,071
	$ 1,455,293

6. RETIREMENT PLAN:

SIMPLE Retirement Plan:

The District has a SIMPLE retirement plan available to all employees. Contributions to the plan are entrusted to an investment company which provides investment consultation and administration. Each eligible employee has the right to make annual elective contributions, subject to an annual limit of $13,500 in 2021. The District makes matching contributions of 3% of compensation. The matching contributions for 2021 were $13,088.

7. 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 coverage with commercial insurance carriers to mitigate this risk.

8. TAX-EXEMPT STATUS:

The District's management believes it has operated as a tax-exempt municipal corporation within the meaning of all applicable federal and state laws. Therefore, no provision has been made in the financial statements for income taxes.

9. WATER PURCHASE CONTRACT AND MAJOR SUPPLIER:

The District purchases all of its raw water from the Kansas Water Office under a 40 year agreement dated July 12, 2001, and amended December 4, 2006. The agreement requires the Kansas Water Office to furnish the District, from the Kanopolis Reservoir, up to 400 million gallons annually. During 2021, the District paid $.418 per 1,000 gallons. The agreement allows for the price to be adjusted annually upon written notification to the District. During 2021 and 2020, raw water purchases amounted to $122,051 and $112,340, respectively.

The Kansas Water Office requires the District to prepay for its water, based upon contracted minimum usage, prior to the start of the next calendar year. The District records this payment under prepaid expenses. The amount included in prepaid expenses on the Statement of Net Position for prepaid water at December 31, 2021 and 2020, was $90,873 and $88,171, respectively. In the next fiscal year, the Kansas Water Office will bill the District an additional amount based upon actual usage. Included in accounts payable on the statement of net position at December 31, 2021, was $3,608 payable to the Kansas Water Office for 2021 usage.

In the event the District lost the Kansas Water Office as a supplier this would have a materially adverse impact on the District.

10. COMPLIANCE WITH KANSAS STATUTES:

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

11. CONSTRUCTION COMMITMENTS:

As of December 31, 2021, the District had no firm construction commitments that will be completed in 2022.

NOTES TO FINANCIAL STATEMENTS

12. SUBSEQUENT EVENTS:

The District evaluated its December 31, 2021 financial statements for subsequent events through the date the financial statements were issued.

13. PLEDGED REVENUES:

The District has pledged future water operating revenues, net of specified operating expenses, to repay the note payable totaling $619,981. The First Kansas Bank Note Payable was issued in May 2014, in the amount of $3,200,000. Proceeds from the note were used to satisfy the prior USDA note payable of $5,714,180, and accrued interest of $7,053,381, under the compromise agreement with the USDA dated May 12, 2014.

The total interest and principal remaining to be paid on First Kansas Bank Note Payable at December 31, 2021, was $642,144. Principal and interest paid for the current year on the note was $274,709.

14. CONCENTRATION OF RISK:

The District's operating results can be influenced by the weather. An abnormally wet year can have an adverse impact on operating revenues. Additionally, an usually dry or hot year can result in increased line breakage requiring additional maintenance costs.

15. MAJOR CUSTOMER:

The District receives 29% of their revenue from one customer. In the event the District loses the customer, this would have a materially adverse impact on the District.

RURAL WATER DISTRICT NO. 1
ELLSWORTH COUNTY, KANSAS

BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES:				
Water sales	$ 2,425,000	$ 2,425,000	$ 2,412,377	$ (12,623)
Customer service and repairs	600	600	139	(461)
	2,425,600	2,425,600	2,412,516	(13,084)
OPERATING EXPENSES:				
Source of supply:				
Water purchases	241,500	241,500	122,051	119,449
Chemicals	205,000	205,000	198,773	6,227
Depreciation and amortization	465,735	465,735	482,804	(17,069)
Utilities	227,050	227,050	215,994	11,056
Repairs	124,050	124,050	126,385	(2,335)
Supplies	10,400	10,400	11,140	(740)
Water tests and protection fee	27,675	27,675	24,536	3,139
Salaries and wages	662,776	662,776	575,902	86,874
Vehicle	49,343	49,343	69,618	(20,275)
Insurance	64,500	64,500	62,148	2,352
Payroll taxes and benefits	184,742	184,742	190,772	(6,030)
Office	31,850	31,850	35,266	(3,416)
Professional fees	151,850	151,850	129,486	22,364
Rent	300	300	3,278	(2,978)
Bad debts	500	500	-	500
Miscellaneous	32,300	32,300	29,207	3,093
	2,479,571	2,479,571	2,277,360	202,211
Net operating income (loss)	(53,971)	(53,971)	135,156	189,127
NON-OPERATING REVENUE (EXPENSE):				
Interest and dividend income	18,500	18,500	66,626	48,126
Miscellaneous income	1,920	1,920	31,389	29,469
Intergovernmental	-	-	117,350	117,350
Gain on disposal of capital assets	-	-	(1,065)	(1,065)
Interest expense	(24,500)	(24,500)	(19,921)	4,579
	(4,080)	(4,080)	194,379	198,459
Net income (loss) before capital contributions	(58,051)	(58,051)	329,535	387,586
CAPITAL CONTRIBUTIONS	68,000	68,000	490,625	422,625
Net income	9,949	9,949	820,160	810,211
Net position beginning of year			12,223,579	
Net position end of year			13,043,739	

RURAL WATER DISTRICT NO. 1, ELLSWORTH COUNTY, KANSAS

COMMUNICATIONS TO MANAGEMENT

TBCO
Troutt Beeman & Co., P.C.
—CPAs & BUSINESS ADVISORS—

To the Board of Directors
Rural Water District No. 1,
Ellsworth County, Kansas

In planning and performing our audit of the basic financial statements of Rural Water District No. 1, Ellsworth County, Kansas (the District), as of and for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible*. The chance of the future event or events occurring is more than remote but less than likely.
- *Probable*. The future event or events are likely to occur.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Our audit was also not designed to identify deficiencies in internal control that might be significant deficiencies. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. The following are considered significant deficiencies:

Financial Statement Preparation: Auditing standards require us to inform you that the District does not have personnel with certified expertise to prepare financial statements and related footnote disclosures in accordance with generally accepted accounting principles. Historically, and typical of many small governmental entities, water district's do not find it cost effective to have personnel with these capabilities on staff. Consequently, they rely on preparation of financial statements in accordance with generally accepted accounting principles to be performed by the auditor as part of the audit process.

Accounting System: Prior year journal entries were not recorded properly in the accounting system. This causes financial reports created during the year to not have the correct information. We recommend journal entries be recorded when received.

Payroll Benefits: It was noted during the audit that new employees were given vacation, sick, and personal leave days at the start of employment. This does not follow the current employee handbook. We recommend the District follow the current employee handbook or modify the handbook.

This communication is intended solely for the information and use of management, the Board of Director's, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Troutt, Beeman & Co., P.C.
Olathe, Kansas
January 13, 2023

RURAL WATER DISTRICT NO. 1 ELLSWORTH

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Troutt Beeman & Co., P.C.
CPAs & BUSINESS ADVISORS

January 13, 2023

Board of Directors
Rural Water District No. 1
Ellsworth County, Kansas
103 North Douglas Avenue
Ellsworth, Kansas 66030

To the Board of Directors:

We have audited the financial statements of Rural Water District No. 1, Ellsworth County, Kansas, as of and for the years ended December 31, 2021 and 2020, and have issued our report thereon dated January 13, 2023 Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated August 29, 2022, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Rural Water District No. 1, Ellsworth County, Kansas, solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant deficiencies over financial reporting, and other matters noted during our audit, in a separate letter to you dated January 13, 2023

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Rural Water District No. 1, Ellsworth County, Kansas, is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application for the year ended December 31, 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most significant sensitive estimates affecting the financial statements is the recording of depreciation.

Management's estimate of the depreciation is based on the estimated lives. We evaluated the key factors and assumptions used to develop the depreciation expense and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. There are no sensitive disclosures affecting the financial statements.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management did not correct all prior identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. Attached is a list of the adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Rural Water District No. 1, Ellsworth, Kansas's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated January 13, 2023.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountant's during the year on accounting and auditing matters.

Other Significant Findings or Issues

In the normal course of our professional association with Rural Water District No. 1, Ellsworth County, Kansas, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Rural Water District No. 1 Ellsworth County, Kansas's auditors.

This report is intended solely for the information and use of the Board of Directors, and management of Rural Water District No. 1, Ellsworth County, Kansas, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Troutt, Beeman & Co., P.C.

TROUTT, BEEMAN & CO., P.C.
Olathe, Kansas

Client: *5646 - RURAL WATER DISTRICT NO. 1 ELLSWORTH COUNTY, KANSAS*
Engagement: *2021 - RURAL WATER DISTRICT NO. 1 ELLSWORTH*
Period Ending: *12/31/2021*
Trial Balance: *TB - Working Trial Balance*
Workpaper: *AJE report*
Fund Level: *All*
Index: *All*

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 201		R-1, PY		
To record PY journal entries not recorded properly.				
1090-00	Credit Card FBK xxx4428		303.00	
1122-00	AR Water - RVS		47,275.00	
1150-05	Ark Valley Electric Co-op		1,921.00	
1150-20	Western Coop Electric Assn.		402.00	
1180-00	PREPAID WATER PURCHASE		27,433.00	
1190-00	INVENTORY		12,536.00	
1190-01	INVENTORY		6,882.00	
1215-00	CIP		247.00	
2999-00	UNRESTRICTED		163,830.00	
1121-00	Account Receivable - Water			20,834.00
1123-00	AR - Water Adjustments			26,441.00
1150-07	Rolling Hills Electric Coop			32,252.00
2100-00	ACCOUNTS PAYABLE			27,420.00
2990-00	BENEFIT UNIT MEMBERSHIP FEES			153,877.00
4950-00	Inventory Adjustments			5.00
Total			**260,829.00**	**260,829.00**
Adjusting Journal Entries JE # 202		N-03		
To adjust accred interest expense				
2450-00	Accrued Interest		1,161.00	
4800-10	Interest Expense			1,161.00
Total			**1,161.00**	**1,161.00**
Adjusting Journal Entries JE # 203		E-4		
To reclass expenses out of capital asset accounts				
4700-13	Building R&M/Improvements		570.00	
1230-00	OFFICE EQUIPMENT			570.00
Total			**570.00**	**570.00**
Adjusting Journal Entries JE # 204		A-04		
To adjust co-op accounts				
1150-05	Ark Valley Electric Co-op		7,259.00	
1150-07	Rolling Hills Electric Coop		53,115.00	
1150-15	Midwest Energy, Inc.		508.00	
1150-20	Western Coop Electric Assn.		603.00	
3022-00	Dividend/Stock Income			61,485.00
Total			**61,485.00**	**61,485.00**
Adjusting Journal Entries JE # 205		E-9		
To record payables related to j-six project				
1215-00	CIP		528,191.00	
1215-00	CIP		2,900.00	
2100-01	ACCOUNTS PAYABLE-NO			531,091.00
Total			**531,091.00**	**531,091.00**
Adjusting Journal Entries JE # 206		L-07		
To reverse PY payable related to kansas water office and record current yer payable for kansas water office				

	2100-00	ACCOUNTS PAYABLE		27,420.00	
	4600-20	PrePaid Water Purchase Expense		33,880.00	
	2100-01	ACCOUNTS PAYABLE-NO			33,880.00
	4600-20	PrePaid Water Purchase Expense			27,420.00
Total				**61,300.00**	**61,300.00**

Adjusting Journal Entries JE # 207 **E-5.2**
To reclass membership contributions included in CIP.

	1215-00	CIP		110,503.00	
	3028-00	Capital Contributions			110,503.00
Total				**110,503.00**	**110,503.00**

Adjusting Journal Entries JE # 208 **E-5**
To reclass dist new construction to water system capital asset.

	1260-00	WATER SYSTEM		42,048.00	
	4010-11	Dist New Construction			42,048.00
Total				**42,048.00**	**42,048.00**

Adjusting Journal Entries JE # 209 **3100.25**
PBC client journal entry to correct TB which was missing journal entries related to A/P.

	4030-20	Computer Support		1,613.00	
	4300-10	Accounting Fees		13,783.00	
	4410-12	Truck #3 - 2018 fuel		59.00	
	4410-13	Truck #4 - 2018 fuel		66.00	
	4410-14	Truck #5 - 2015 fuel		77.00	
	4410-16	Truck #7 - 2016 fuel		238.00	
	4410-18	Truck #9 - 2010 fuel		440.00	
	4410-19	PR Equipment fuel		49.00	
	2100-00	ACCOUNTS PAYABLE			16,325.00
Total				**16,325.00**	**16,325.00**

Adjusting Journal Entries JE # 210 **L-3**
To adjust accrued wages and vacation

	2451-00	Accrued Payroll		2,080.00	
	2452-00	Accrued Vacation		674.00	
	4080-10	Office - Salaries			2,754.00
Total				**2,754.00**	**2,754.00**

Adjusting Journal Entries JE # 211 **R-3**
To remove CIP recorded to capital contributions

	3028-00	Capital Contributions		464.00	
	1215-00	CIP			464.00
Total				**464.00**	**464.00**

Adjusting Journal Entries JE # 212 **D-1**
To adjust prepaid expenses

	1170-00	Prepaid Vendor Purchases		9,214.00	
	1180-00	PREPAID WATER PURCHASE		26,329.00	
	4600-10	Insurance			9,214.00
	4600-20	PrePaid Water Purchase Expense			26,329.00
Total				**35,543.00**	**35,543.00**

Adjusting Journal Entries JE # 213 **K section**
To eliminate old a/p from prior years

	2100-01	ACCOUNTS PAYABLE-NO		2,191.00	
	2100-99	Accrued Accounts Payable		11,107.00	
	4000-11	Plant Repair & Maintenance			13,298.00
Total				**13,298.00**	**13,298.00**

Adjusting Journal Entries JE # 214		**E-5**			
To record capital contributions for capital contributions in excess of $800/account					
1260-00	WATER SYSTEM			96,455.00	
3028-00	Capital Contributions				96,455.00
Total				**96,455.00**	**96,455.00**
Adjusting Journal Entries JE # 215		**E-8**			
To reclass COGS to water system					
1260-00	WATER SYSTEM			95,036.00	
4000-00	Cost of Goods Sold				95,036.00
Total				**95,036.00**	**95,036.00**
Adjusting Journal Entries JE # 216		**E-7.1**			
To record capitalized wages for projects completed in 2021					
1260-00	WATER SYSTEM			13,336.00	
4080-09	Capitalized wages				13,336.00
Total				**13,336.00**	**13,336.00**
Adjusting Journal Entries JE # 217		**U-8.1**			
To adjust clean drinking water and liability for amounts not coded properly					
2270-00	Clean Drinking Water Fee Liab			6,852.00	
4021-10	Clean Drinking Water Fee Exp				6,852.00
Total				**6,852.00**	**6,852.00**
Adjusting Journal Entries JE # 218		**E-5.2**			
To reclass expenses not to be capitalized in a project					
4010-10	Dist Repair & Maint			11,908.00	
1215-00	CIP				11,908.00
Total				**11,908.00**	**11,908.00**
Adjusting Journal Entries JE # 219		**E-8**			
To capitalize j-six project completed in 2021					
1260-00	WATER SYSTEM			869,856.00	
1215-00	CIP				869,856.00
Total				**869,856.00**	**869,856.00**
Adjusting Journal Entries JE # 220		**E-8**			
To capitalize remaining cip					
1260-00	WATER SYSTEM			46,909.00	
1215-00	CIP				46,909.00
Total				**46,909.00**	**46,909.00**
Adjusting Journal Entries JE # 221		**K-8**			
To record PBC payable for TBCO 2020 audit fee					
4300-40	Annual Audit			7,000.00	
2100-01	ACCOUNTS PAYABLE-NO				7,000.00
Total				**7,000.00**	**7,000.00**
Adjusting Journal Entries JE # 222		**E-6**			
To record disposals					
1231-00	OFFICE EQUIP-ACCUM DEP.			4,169.00	
1241-00	EQUIPMENT-ACCUM. DEPRECIATION			13,598.00	
1251-00	VEHICLES-ACCUM. DEPRECIATION			48,711.00	
3027-00	GAIN (LOSS) SALE OF EQUIPMENT			2,100.00	
1230-00	OFFICE EQUIPMENT				4,169.00
1240-00	EQUIPMENT				15,698.00
1250-00	VEHICLES				48,711.00
Total				**68,578.00**	**68,578.00**
Adjusting Journal Entries JE # 223		**E-4**			

to reclass trailer to vehicles

1250-00	VEHICLES		23,000.00	
1240-00	EQUIPMENT			23,000.00
Total			**23,000.00**	**23,000.00**

Adjusting Journal Entries JE # 224 **E-1**
To adjust depreciation expense

1231-00	OFFICE EQUIP-ACCUM DEP.		2,313.00	
1241-00	EQUIPMENT-ACCUM. DEPRECIATION		22,123.00	
4700-15	Depreciation		17,069.00	
1221-00	BUILDING-ACCUM. DEPRECIATION			818.00
1251-00	VEHICLES-ACCUM. DEPRECIATION			893.00
1261-00	WATER SYSTEM-ACCUM. DEPREC.			39,794.00
Total			**41,505.00**	**41,505.00**

Adjusting Journal Entries JE # 225 **E-9**
To record pernament easments

1200-00	REAL ESTATE (LAND)		100,200.00	
1215-00	CIP			100,200.00
Total			**100,200.00**	**100,200.00**
	Total Adjusting Journal Entries		**2,518,006.00**	**2,518,006.00**
	Total All Journal Entries		**2,518,006.00**	**2,518,006.00**

Rural Water District No. 1, Ellsworth Co., Kansas
103 N. Douglas Ellsworth, KS 67439 ♦ Phone (785) 472-4486 ♦ www.postrockrwd.com

January 13, 2023

Troutt, Beeman & Co. P.C.
1212 Locust
Harrisonville, MO 64701

Dear Sirs:

This representation letter is provided in connection with your audit of the basic financial statements of Rural Water District No. 1 Ellsworth County, Kansas (the District) as of December 31, 2021 and 2020, and for the years then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, were applicable of the District in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of January 13, 2023:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated August 29, 2022, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility 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.

- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All funds and activities are properly classified.
- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- All interfund and intra-entity transactions and balances have been properly classified and reported.
- Special items and extraordinary items have been properly classified and reported.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With regard to investments and other instruments reported at fair value:
  - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.
  - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
- With respect to nonattest service(s) provided, we have performed the following:
  - Made all management decisions and performed all management functions;
  - Assigned a competent individual to oversee the services;
  - Evaluated the adequacy of the services performed;
  - Evaluated and accepted responsibility for the result of the service performed; and
  - Established and maintained internal controls, including monitoring ongoing activities.

Information Provided

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, meeting minutes, and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - Our views on reported audit findings, conclusions, and recommendations, as well as planned corrective actions

- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- Rural Water District No. 1 Ellsworth County, Kansas has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which Rural Water District No. 1 Ellsworth County, Kansas is contingently liable.
- We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee.
- For nonexchange financial guarantees where we have declared liabilities, the amount of the liability recognized is the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. Where there was no best estimate but a range of estimated future outflows has been established, we have recognized the minimum amount within the range.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or

geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
  - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
  - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
  - Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
- Rural Water District No. 1 Ellsworth County, Kansas has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

Supplementary Information

With respect to the budgetary comparison schedule accompanying the financial statements:

- We acknowledge our responsibility for the presentation of the budgetary information schedule in accordance with accounting principles generally accepted in the United States of America.
- We believe the budgetary comparison schedule, including its form and content, is fairly presented in accordance with accounting principle generally accepted in the United States of America.
  When the supplementary information is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.
- We acknowledge our responsibility to include the auditor's report on the supplementary information in any document containing the supplementary information and that indicates the auditor reported on such supplementary information.

- We acknowledge our responsibility to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon

Martin Bland, Chairman
Rural Water District No. 1
Ellsworth County, Kansas

Doug Janssen, General Manager
Rural Water District No. 1
Ellsworth County, Kansas