**RURAL WATER DISTRICT NUMBER 4**
**Sedgwick County**
Goddard, Kansas

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2022

**RURAL WATER DISTRICT NUMBER 4**
**Sedgwick County**
**Goddard, Kansas**

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# INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rural Water District Number 4
Sedgwick County
Goddard, Kansas

**Opinions**
We have audited the accompanying financial statements of the business-type activities of Rural Water District Number 4, Sedgwick County, Kansas as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Rural Water District Number 4, Sedgwick County, Kansas as of December 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**
We conducted our audit in accordance with auditing standards generally accepted in the United States of America Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rural Water District Number 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 audit opinions.

**Responsibilities of Management for the Financial Statements**
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rural Water District Number 4's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Auditor's Responsibilities for the Audit of the Financial Statements**
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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AFFILIATE

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Rural Water District Number 4's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Rural Water District Number 4's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified
during the audit.

**Required Supplementary Information**
Rural Water District Number 4 has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

Harold K. Mayes Jr.

Harold K. Mayes Jr. CPA
Agler & Gaeddert, Chartered
Ottawa, Ks.
May 23, 2023

Statement 1

**Rural Water District Number 4**
**Sedgwick County**
Goddard, Kansas
STATEMENT OF NET POSITION
December 31, 2022

## ASSETS

### Current Assets

| | | |
|---|---|---|
| Cash | $ | 6,287 |
| Money Market | | 1,405,295 |
| Cert. of Deposit - Short Term | | 52,613 |
| Cert. of Deposit - Long Term | | 480,428 |
| Accounts Receivable | | 46,714 |
| Total current assets | | 1,991,337 |

### Property, Plant and Equipment

| | | |
|---|---|---|
| Land | | 32,593 |
| Water Distribution System | | 3,046,126 |
| Water Supply | | 106,271 |
| Water Storage | | 226,476 |
| Controls | | 31,665 |
| Office Equipment | | 38,486 |
| | | 3,481,617 |
| Accumulated Depreciation | | (2,423,664) |
| Total Property Plant and Equipment | | 1,057,953 |
| Total Assets | $ | 3,049,290 |

## LIABILITIES AND NET POSITION

### Current Liabilities

| | | |
|---|---|---|
| Accounts Payable | $ | 3,150 |
| Total Current Liabilities | | 3,150 |

### Net Position

| | | |
|---|---|---|
| Net Investment in Capital Assets | | 1,057,953 |
| Unrestricted | | 1,988,187 |
| Total Net Position | | 3,046,140 |
| Total Liabilities & Net Position | $ | 3,049,290 |

The accompanying notes are an integral part of this statement.

Statement 2

**Rural Water District Number 4**
**Sedgwick County**
Goddard, Kansas
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2022

| | | |
|---|---|---|
| **Operating Revenues** | | |
| Water Sales | $ | 560,418 |
| Tower Lease | | 7,874 |
| Other Income | | 17,998 |
| Total Revenues | | 586,290 |
| | | |
| **Operating Expenses** | | |
| Audit | | 5,750 |
| Certified Engneering Management Fee | | 15,541 |
| Chorine | | 1,709 |
| Contract Labor | | 600 |
| Director Fees | | 9,251 |
| Insurance & Bonds | | 6,686 |
| KRWA | | 2,314 |
| Lead & Copper Test | | 701 |
| Legal | | 22,574 |
| Mileage Allowance | | 3,600 |
| Miscellaneous. | | 3,867 |
| Monthly Retainer | | 21,620 |
| Office Supplies | | 2,901 |
| One Call | | 38,746 |
| Postage | | 4,414 |
| Repair & Maintenance | | 2,810 |
| Salaries | | 58,200 |
| Payroll taxes | | 4,511 |
| Sales Tax | | 4,523 |
| Utilities - Tower | | 317 |
| Utilities - Pumps | | 14,809 |
| Telephone | | 1,344 |
| Water Protection | | 3,360 |
| Water Tower Maintenance | | 2,900 |
| Wholesale Water Purchased | | 1,059 |
| Depreciation - Program | | 71,830 |
| Depreciation - Support | | 1,590 |
| Total Operating Expenses | | 307,527 |
| | | |
| Total Operating Income (Loss) | | 278,763 |
| | | |
| **Non-Operating Revenues (Expenses)** | | |
| Interest Income | | 12,063 |
| Sale of Benefit Units | | 84,400 |
| Benefit Unit Transfers | | 2,400 |
| Benefit Unit Transfers | | (22,384) |
| Total Operating Income (Loss) | | 76,479 |
| | | |
| Net Income | | 355,242 |
| | | |
| Total Net Position, Beginning of Year (as restatement) | | 2,690,898 |
| | | |
| Total Net Position, End of Year | $ | 3,046,140 |

The accompanying notes are an integral part of this statement.

Statement 3

**Rural Water District Number 4**
**Sedgwick County**
Goddard, Kansas
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022

| | | |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Cash Received From Customers | $ | 586,289 |
| Cash Paid to Suppliers | | (209,602) |
| Cash Paid to Employees (including payroll taxes and benefits) | | (62,711) |
| Net Cash Provided by (used in) Operating Activities | | 313,976 |
| **Cash Flows Provided by (used in) Financing Activities** | | |
| Water Benefit Units Proceeds | | 84,400 |
| Water Benefit Units Transfer Proceeds | | 2,400 |
| Reimbursements | | 16,639 |
| Water Benefit Units Transfer Expenses | | (22,384) |
| Net Cash Provided by (used in) Financing Activities | | 81,055 |
| **Cash Flows Provided by (used in) Investing Activities:** | | |
| Purchases of Property and Equipment | | (51,218) |
| (Increase) Decrease in Certificates of Deposit | | (1,223) |
| Interest Income | | 12,375 |
| Net Cash Provided by (used in) Investing Activities | | (40,066) |
| Net Increase (Decrease) in Cash and Cash Equivalents | | 354,965 |
| Cash and Cash Equivalents, Beginning of Year | | 1,056,617 |
| Cash and Cash Equivalents, End of Year | $ | 1,411,582 |
| **Cash Balances** | | |
| Cash | $ | 6,287 |
| Money Market | | 1,405,295 |
| Cash and Cash Equivalents, End of Year | $ | 1,411,582 |
| **Reconciliations of Operating Income to Net Cash Provided by (used in) Operating Activities** | | |
| Operating Income | $ | 278,763 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) Operating Activities: | | |
| Depreciation | | 73,420 |
| Changes in Assets and Liabilities Not Current Affecting Cash: | | |
| (Increase) Decrease in Accounts Receivable | | 0 |
| (Increase) Decrease in Prepaid Expenses | | 2,305 |
| Increase (Decrease) in Account Payable | | (24,558) |
| Increase (Decrease) in Other Payables | | (15,954) |
| | $ | 313,976 |

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

**Rural Water District Number 4**
Sedgwick County
Goddard, Kansas
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 1. Financial Reporting Entity

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

### 2. Government-wide and Fund Financial Statements

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

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

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

### 3. Measurement focus and Financial Statement Presentation

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

Operating income reported in the financial statements includes revenues and expenses related to the primary, continuing operations of the District. Operating revenues are charges to customers for sales or services. Operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Non-operating revenues and expenses consist of investment income and sales/transfers of benefit units and related expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

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

**NOTE A. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICEIES - continued**

**4. Fund Types and Major Funds**

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

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

**5. Cash and Cash Equivalents**

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

**6. Accounts Receivable**

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

**7. Property, Plant and Equipment**

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

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

| | |
|---|---|
| Water Distribution System | 7 - 40 years |
| Water Supply | 10 years |
| Controls | 10 years |
| Office Equipment | 5 years |

**9. Income Tax**

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

**10. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**11. Revenues**
Operating revenues and expenses included the sale of water and the expenses associated with pumping and cleaning the water. Non-operating revenues and expenses consist of investment income sales/transfers of benefit units and related expenses.

**12. Deferred Outflows and Inflows of Resources**

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

**NOTE A. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICEIES - continued**

**13. Restricted and Unrestricted Resources**

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

**NOTE B - ASSETS, LIABILITIES AND NET POSITION**

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

   **Custodial credit risk** - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The District did not have any designated "peak periods" for the current year. All deposits were legally secured at December 31, 2022.

   At year-end, the carrying amount of the District's deposits which includes certificates of deposit was $1,944,623 for 2022. The bank balance was $1,990,180 for 2022. The difference between book and bank balance is outstanding deposits and checks. The bank balance was held by one bank resulting in a credit risk. Of the bank balance, $250,000 for 2022 was covered by FDIC insurance. The balance in the bank of $1,740,180 for 2022 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

   **Investments** - K.S.A. 12-1675 authorizes 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.

2. **Accounts Receivable**

| | 2022 |
|---|---|
| Currently due from customers | $ 46,716 |
| | $ 46,716 |

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

**3. Capital Assets are detailed as follows:**

| | 2022 | | | |
|---|---|---|---|---|
| Capital assets | Beginning Balance | Additions | Retirements | Ending Balance |
| Land | $ 32,593 | $ 0 | $ 0 | $ 32,593 |
| Water Distribution System | 3,046,126 | 0 | 0 | 3,046,126 |
| Water Supply | 55,053 | 51,218 | 0 | 106,271 |
| Water Storage | 226,476 | 0 | 0 | 226,476 |
| Controls | 31,665 | 0 | 0 | 31,665 |
| Office Equipment | 38,486 | 0 | 0 | 38,486 |
| Totals at cost | 3,430,399 | 51,218 | 0 | 3,481,617 |
| Accumulated depreciation: | 2,350,244 | 73,420 | 0 | 2,423,664 |
| Net Fixed Assets | $ 1,080,155 | $ (22,202) | $ 0 | $ 1,057,953 |

There were no impairment of capital assets as described above as of December 31, 2022

**NOTE C. - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**1. Budgetary Information**

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

**2. Compliance with Kansas Statutes**

Management is not aware of any statutory violations for the years ended December 31, 2022

**NOTE D. - OTHER INFORMATION**

**1. Risk Management**

The District is exposed to various risks of loss related to torts' theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. During the last three years, claim settlements have not exceeded insurance coverage.

**2. Net Position**

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

**NOTE D. - OTHER INFORMATION - continued**

**3. Net Position Restated**

| | |
|---|---|
| Net Position as of December 31, 2021 | $ 2,674,258 |
| Adjustments for Reimbursments for 2021 received in 2022 | 16,640 |
| Net Position as restated | $ 2,690,898 |

**4. Subsequent events**

Management has evaluated events through March 23, 2023. The District has no significant subsequent events to disclose.

## SUPPLEMENTARY INFORMATION

Schedule 1

**Rural Water District Number 4**
**Sedgwick County**
Goddard, Kansas
SCHEDULE OF INSURANCE
For the Years Ended December 31, 2022

Employer's Mutual Casualty Company

| Coverage | Expiration | Terms | Liability Limits | Annual Premium |
|---|---|---|---|---|
| General Liability | 3/1/2023 | General Aggregate | $ 1,000,000 | $ 8,410 |
| | | Products | 1,000,000 | |
| | | Personal Injury | 500,000 | |
| | | Per Occurance | 500,000 | |
| | | Damage to Rented Premises | 300,000 | |
| | | Medical-Per Person | 5,000 | |
| Automobile Liability | | Combined Single | 500,000 | |
| Worker's Compensation | | Accident | 500,000 | |
| | | Disease - Policy | 500,000 | |
| | | Disease - Employee | 500,000 | |
| Property | | Blanket Limit | 1,033,650 | |
| Linebacker | | Aggregate | 1,000,000 | |
| | | Per Occurrence | 500,000 | |
| Crime | | Per Occurrence | 10,000 | |
| EDP (Data Processing) | | Per Occurrence | 4,480 | |
| Cybersolutions | | Computer Attack | 100,000 | |
| | | Response Limit | 50,000 | |