SSC CPAs, P.A.

RURAL WATER DISTRICT NO. 4

NEMAHA COUNTY, KANSAS

FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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Independent Auditor's Report

To the Board of Directors
Rural Water District No. 4, Nemaha County
Nemaha County, Kansas

Opinion
We have audited the financial statements of Rural Water District No. 4, Nemaha County, as of December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Rural Water District No. 4, Nemaha County'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 financial position of Rural Water District No. 4, Nemaha County as of December 31, 2021 and 2020, and change in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits 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 Rural Water District No. 4, Nemaha County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 No. 4, Nemaha County's ability to continue as a going concern for the 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 opinion. 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 substantial likelihood that, individually or in the aggregate, they would influence the judgement 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 Rural Water District No. 4, Nemaha County'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 No. 4, Nemaha County'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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Rural Water District No. 4, Nemaha County's basic financial statements. The supplemental information on page 11 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 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

SSC CPAs, P.A.

SSC CPAs, P.A.
Topeka, Kansas

March 7, 2022

RURAL WATER DISTRICT NO. 4
NEMAHA COUNTY, KANSAS
STATEMENTS OF NET POSITION

December 31,	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	$ 343,266	$ 294,804
Certificates of deposit	209,848	206,286
Reimbursements receivable	3,216	3,379
Accounts receivable	21,141	21,613
Total current assets	577,471	526,082
Noncurrent assets		
Debt reserve funds	132,994	131,619
Capital assets, net	2,046,395	2,137,984
Total noncurrent assets	2,179,389	2,269,603
Total assets	$ 2,756,860	$ 2,795,685
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable and accrued liabilities	$ 4,806	$ 4,750
Bonds payable - current portion	60,000	60,000
Total current liabilities	64,806	64,750
Noncurrent liabilities		
Bonds payable - noncurrent portion	1,160,000	1,220,000
Total liabilities	1,224,806	1,284,750
Net position		
Invested in capital assets, net of related debt	826,395	857,984
Restricted	132,994	131,619
Unrestricted	572,665	521,332
Total net position	1,532,054	1,510,935
Total liabilities and net position	$ 2,756,860	$ 2,795,685

RURAL WATER DISTRICT NO. 4
NEMAHA COUNTY, KANSAS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the years ended December 31,	2021	2020
Revenue		
Water sales	$ 284,832	$ 288,348
Refunds and late charges	6,220	8,140
Total revenue	291,052	296,488
Expenses		
Payroll expense	80,002	77,757
Depreciation	99,005	97,485
Postage	1,206	1,496
Professional fees	5,747	5,334
Insurance	8,695	7,791
Maintenance and repair	8,105	8,154
Chemicals	5,899	5,358
Telephone	2,966	3,553
Utilities	17,563	17,585
Office and other expense	14,642	13,142
Taxes and water protection fee	1,616	1,701
Installation expense	2,504	-
Total expenses	247,950	239,356
Operating income	43,102	57,132
Nonoperating revenue (expenses)		
State reimbursement for Highway 75 project	-	66,042
Gain (loss) on disposal of fixed assets	-	(11,612)
Interest expense	(41,976)	(43,176)
Interest income	5,993	8,695
Total nonoperating revenue (expenses)	(35,983)	19,949
Income before capital contributions	7,119	77,081
Capital contributions		
Benefit units sold	14,000	6,000
Change in net position	21,119	83,081
Net position, beginning of year	1,510,935	1,427,854
Net position, end of year	$ 1,532,054	$ 1,510,935

RURAL WATER DISTRICT NO. 4
NEMAHA COUNTY, KANSAS
STATEMENTS OF CASH FLOWS

For the years ended December 31,	2021	2020
Cash flows from operating activities		
Cash received from customers	$ 291,524	$ 302,117
Cash paid to suppliers	(68,887)	(65,901)
Cash paid for payroll expenses	(80,002)	(77,757)
Net cash provided by operating activities	142,635	158,459
Cash flows from investing activities		
Interest	5,993	8,695
Net change in certificates of deposit	(3,562)	(3,935)
Decrease in debt reserve funds	(1,375)	(3,248)
Net cash provided by investing activities	1,056	1,512
Cash flows from capital and related financing activities		
Contributions - benefit units	14,000	6,000
Increase in reimbursement receivable	163	(3,379)
Proceeds from State reimbursements	-	66,042
Principal paid on long term capital debt	(60,000)	(60,000)
Interest paid on long term capital debt	(41,976)	(43,176)
Purchase of property and equipment	(7,416)	(69,197)
Net cash used in capital activities and related financing activities	(95,229)	(103,710)
Net increase in cash and cash equivalents	48,462	56,261
Cash and cash equivalents, beginning of year	294,804	238,543
Cash and cash equivalents, end of year	$ 343,266	$ 294,804
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 43,102	$ 57,132
Adjustments to reconcile operating income to: net cash provided by operating activities:		
Depreciation	99,005	97,485
(Increase) decrease in operating assets:		
Accounts receivable	472	5,629
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	56	(1,787)
Net cash provided by operating activities	$ 142,635	$ 158,459

1. Nature of organization

Organization and nature of operations
Rural Water District No. 4, Nemaha County, Kansas (the "District") was established as a tax-exempt organization to acquire water and water rights and to build and acquire pipelines for the purpose of furnishing water to owners and occupants of land located within the district. The District began providing water to its customers in April of 1996. Total customers at December 31, 2021 and 2020 were 275 and 270 respectively. The District is not included in any other governmental "reporting entity" as defined in GASB Pronouncements.

2. Summary of significant accounting policies

Basis of accounting
The District is a governmental organization operated as a business (proprietary) type entity. The District's financial information is accounted for using the economic resources measurement focus and the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Cash and cash equivalents
The District considers all investments with original maturities of three months or less to be cash equivalents.

Use of estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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.

Capital assets
Capital assets are recorded at cost. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets as follows:

Water system	40 years
Building	40 years
Office furniture and equipment	5 - 7 years

The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

Revenue recognition
Operating revenues consist of those revenues that result from the ongoing principal operations of the District and are recognized when earned. Revenues from line extensions and the sale of meters are deferred until the District has completed the line extensions and set the meters.

Accounts receivable
Accounts receivable arise from the sale of water and are stated at the unpaid balance. There is no interest charged on unpaid balances. The District considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. In the event accounts become uncollectible, they are charged to operations at the time that determination is made.

Income taxes
The District is a tax-exempt governmental entity and is not subject to income taxes at either the Federal or State level**.**

Net Position
Net position comprises the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Invested in Capital Assets, Net of Related Debt - This component of net position consists of 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 improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

3. Capital assets

Capital assets, together with activity for the years ended December 31, 2021 and 2020 consisted of the following:

	December 31, 2020	Additions	Dispositions	December 31, 2021
Depreciable capital assets				
Water system	$ 3,839,638	$ 7,416	$ -	$ 3,847,054
Building	37,828	-	-	37,828
Office furniture and equipment	11,934	-	-	11,934
Total depreciable capital assets	3,889,400	7,416	-	3,896,816
Less accumulated depreciation	(1,765,534)	(99,005)	-	(1,864,539)
Depreciable capital assets, net	2,123,866	(91,589)	-	2,032,277
Nondepreciable capital assets				
Land	14,118	-	-	14,118
Nondepreciable capital assets, net	14,118	-	-	14,118
Total capital assets	$ 2,137,984	$ (91,589)	$ -	$ 2,046,395

	December 31, 2019	Additions	Dispositions	December 31, 2020
Depreciable capital assets				
Water system	$ 3,800,442	$ 69,196	$ 30,000	$ 3,839,638
Building	37,828	-	-	37,828
Office furniture and equipment	11,934	-	-	11,934
Total depreciable capital assets	3,850,204	69,196	30,000	3,889,400
Less accumulated depreciation	(1,686,437)	(97,485)	(18,388)	(1,765,534)
Depreciable capital assets, net	2,163,767	(28,289)	11,612	2,123,866
Nondepreciable capital assets				
Land	14,118	-	-	14,118
Nondepreciable capital assets, net	14,118	-	-	14,118
Total capital assets	$ 2,177,885	$ (28,289)	$ 11,612	$ 2,137,984

Depreciation expense was $99,005 and $97,485 for the years ended December 31, 2021 and 2020, respectively.

4. Long-term debt

Series 2012 Revenue bonds were issued in 2013 in the amount of $795,000. The average net interest rate of the bond issue is 2.42% with a final bond maturity scheduled for December 1, 2026. The bond issue funded refinancing of existing debt only. There were no additional asset purchases associated with the bond issue.

Series 2017 Revenue bonds were issued in June 2017 in the amount of $920,000. The average net interest rate of the bond issue is 3.375% with a final payment due on December 1, 2037. The bond was issued to fund the construction of a new water supply and connection into the existing water distribution system.

Per the agreement, the District maintains a loan reserve account in the amount of $132,994 and $131,619 for the years ended December 31, 2021 and 2020, respectively, which is on deposit with a bank in the form of certificates of deposit.

The District has certain loan covenants within the bond resolution requiring total revenue available for debt service, as defined in the bond agreement, of at least 125% of debt requirements. This amount was 141.27% and 151.84% for the years ended December 31, 2021 and 2020, respectively.

Interest expense on long-term debt totaled $41,976 and $43,176 for the years ended December 31, 2021 and 2020, respectively.

Changes to the District's long-term debt are as follows:

	December 31, 2020 Beginning Principal Outstanding	Additions to Principal	Reductions of of Principal	December 31, 2021 Ending Principal Outstanding
Revenue Bonds:				
Series 2012	$ 360,000	$ -	$ 60,000	$ 300,000
Series 2017	920,000	-	-	920,000
Total Revenue Bonds	$ 1,280,000	$ -	$ 60,000	$ 1,220,000

	December 31, 2019 Beginning Principal Outstanding	Additions to Principal	Reductions of of Principal	December 31, 2020 Ending Principal Outstanding
Revenue Bonds:				
Series 2012	$ 420,000	$ -	$ 60,000	$ 360,000
Series 2017	920,000	-	-	920,000
Total Revenue Bonds	$ 1,340,000	$ -	$ 60,000	$ 1,280,000

The annual debt service requirements to maturity for long-term debt as of December 31, 2021 are as follows:

Year Ending December 31,	Principal	Interest
2022	$ 60,000	$ 40,596
2023	60,000	39,216
2024	65,000	37,656
2025	65,000	35,966
2026	65,000	34,081
2027-2031	360,000	140,088
2032-2036	445,000	74,300
2037	100,000	4,000
Total	1,220,000	$ 405,903
Less current portion	60,000	
Total noncurrent portion	$ 1,160,000	

5. Retirement plan

In June 2021 the District started a SIMPLE IRA plan covering all employees with at least a year of employment. The employees receive contributions up to a 3% match of their wages. Contributions for the year ending December 31, 2021 were $1,091.

6. Deposits

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.

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 statues 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%. All deposits were legally secured at December 31, 2021.

At December 31, 2021, the District's carrying amount of deposits was $686,109 and the bank balance was $692,848. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, $250,000 was covered by federal depository insurance and $442,848 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

7. Concentration of credit risk

The District is engaged in the sale of water to customers located in an area around Nemaha County, Kansas. The District grants credit to those customers and requires no collateral.

8. Risks and uncertainties

During the year ended December 31, 2020, a pandemic was declared due to the outbreak of the COVID-19 coronavirus. As a result of significant disruptions in the U.S. economy due to the outbreak, uncertainties have arisen which are likely to negatively impact future operating results. The duration and extent to which COVID-19 may impact financial performance is unknown at this time.

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 joined together with other entities in the State to participate in Employers Mutual Insurance Corp. (EMC), a public entity risk pool currently operating as a common risk management and insurance program for the participating members.

The Water District pays an annual premium to EMC for its insurance coverage. The agreement to participate provides that EMC will be self-sustaining through member premiums. Additional premiums may be due if total claims for the pool are different than what has been anticipated by EMC management.

9. Compliance with Kansas statutes

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

10. Subsequent events

Management has evaluated subsequent events through March 7, 2022, the date on which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

RURAL WATER DISTRICT NO. 4
NEMAHA COUNTY, KANSAS
STATEMENT OF INSURANCE COVERAGE (Unaudited)

The District's insurance policy is provided by EMC Insurance, Inc., with a premium of $8,111 and covers the period March 20, 2021 to March 20, 2022. It provides the following coverage:

Commercial property	$	804,738
General liability		500,000/1,000,000
Linebacker		500,000/1,000,000
Employee theft		75,000
Workers' Compensation		500,000
Auto		500,000