KIENTZ & PENICK
CPAs, LLC

To the Board of Directors
Rural Water District No. 2, Dickinson County, Kansas
804 S. Buckeye
Abilene, KS 67410

May 14, 2024

We have audited the financial statements of Rural Water District No. 2, Dickinson County, Kansas (the District) as of and for the year ended December 31, 2023, and have issued our report thereon dated May 14, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 4, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Significant Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2023. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected. We did not identify any significant estimates.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Managements

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 14, 2024.

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Significant Audit Matters (Continued)

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Management Consultations with Us

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Limitation on the Use of This Report

This information is intended solely for the use of the Board of Directors and management of Rural Water District No. 2, Dickinson County, Kansas and is not intended to be and should not be used by anyone other than these specified parties.

Kientz & Penick, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

Rural Water District No. 2, Dickinson County, Kansas

Financial Statements
As of December 31, 2023 and 2022
and For the Years Then Ended

With Report by Independent Auditors

KIENTZ & PENICK
CPAs, LLC

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KIENTZ & PENICK
CPAs, LLC

To the Board of Directors of
Rural Water District No. 2 Dickinson County, Kansas
804 S. Buckeye
Abilene, KS 67410

May 14, 2024

Independent Auditor's Report

Opinion

We have audited the accompanying financial statements of the business-type activities of Rural Water District No. 2, Dickinson County (the District), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of December 31, 2023 and 2022, and the changes in its financial position and its 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 and the *Kansas Municipal Auditing and Accounting Guide.* Our responsibilities under those standards are further described below 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 opinion.

Other Matters

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 basis financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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.

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 the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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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 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, including omissions, 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 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 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.

Kientz & Penick, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	$ 833,049	$ 804,984
Accounts receivable	60,538	59,078
Inventory	43,545	35,235
Total Current Assets	937,132	899,297
Noncurrent Assets		
Capital assets, net	2,521,109	2,452,050
Certificate of deposit restricted for bond reserve	35,477	35,229
Cash equivalent restricted for loan reserve	103,772	103,772
Total Noncurrent Assets	2,660,358	2,591,051
Total Assets	$ 3,597,490	$ 3,490,348
Liabilities and Net Position		
Current Liabilities		
Accounts payable	$ 101,302	$ -
Accrued liabilities	15,402	15,590
Current portion of bond and loan payables	64,550	63,368
Total Current Liabilities	181,254	78,958
Noncurrent Liabilities		
Bond payable, net of bond discount	229,788	244,331
Loan payable	631,896	681,446
Total Noncurrent Liabilities	861,684	925,777
Total Liabilities	1,042,938	1,004,735
Net Position		
Net investment in capital assets	1,594,875	1,462,905
Restricted – bond reserve	35,477	35,229
Restricted – loan reserve	103,772	103,772
Unrestricted	820,428	883,707
Total Net Position	2,554,552	2,485,613
Total Liabilities and Net Position	$ 3,597,490	$ 3,490,348

	2023	2022
Operating Revenues		
Water sales	$ 367,115	$ 357,764
Monthly minimums	385,945	368,906
Total Operating Revenues	753,060	726,670
Operating Expenses		
Salaries	183,860	163,197
Payroll expense	14,255	13,039
Employee benefits	3,622	3,206
Repairs and maintenance	104,154	115,284
Utilities	30,270	29,554
Water purchased	113,296	107,670
Office expense	15,151	12,306
Depreciation	169,836	173,048
Insurance	30,772	24,870
Lab expense	1,043	1,106
Clean water fee	1,727	1,645
Miscellaneous expense	2,343	849
Profession fees	12,089	10,253
Training	3,147	2,374
Total Operating Expenses	685,565	658,401
Net Operating Income	67,495	68,269
Nonoperating Revenue (Expense)		
Interest income	5,694	3,156
Other charges	13,962	11,300
Gain on disposal of assets	6,665	-
Interest expense	(24,397)	(26,104)
Debt service fee	-	(2,554)
Other expense	(480)	(313)
Total Nonoperating Income (Expense)	1,444	(14,515)
Net Income Before Contributions	68,939	53,754
Capital Contributions		
Benefit unit sales	-	15,000
Change in Net Position	68,939	68,754
Net Position – Beginning	2,485,613	2,416,859
Net Position – Ending	$ 2,554,552	$ 2,485,613

	2023	2022
Cash Flows from Operating Activities		
Cash received from customers	$ 751,600	$ 721,989
Cash paid to suppliers	(214,523)	(320,642)
Cash paid to employees	(201,737)	(179,442)
Net Cash Provided by Operating Activities	335,340	221,905
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(238,895)	(82,461)
Payments on long term debt	(63,368)	(62,214)
Other capital activities	13,482	10,987
Change in reserves	(248)	(510)
Interest and service fees paid on bond and loan payables	(23,940)	(28,202)
Capital contributions	-	15,000
Net Cash Used in Capital and Related Financing Activities	(312,969)	(147,400)
Cash Flows from Investing Activities		
Interest income	5,694	3,156
Net Increase in Cash and Cash Equivalents	28,065	77,661
Cash and Cash Equivalents – Beginning	804,984	727,323
Cash and Cash Equivalents – Ending	$ 833,049	$ 804,984
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities		
Net operating income	$ 67,495	$ 68,269
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities		
Depreciation	169,836	173,048
Gain on disposal of assets	6,665	-
Decrease (increase) in accounts receivable	(1,460)	(4,681)
Decrease (increase) in inventory	(8,310)	(6,499)
Increase (decrease) in accounts payable	101,302	(6,433)
Increase (decrease) in accrued liabilities	(188)	(1,799)
Net Cash Provided by Operating Activities	$ 335,340	$ 221,905

Note 1: Summary of Significant Accounting Policies

Organization

The Rural Water District No. 2, Dickinson County, Kansas (the District), was declared incorporated by the Board of Commissioners of Dickinson County, Kansas, on April 21, 1972 as a quasi-municipal Corporation under Kansas Statute K.S.A. 82a-612 et seq, for the purpose of providing a water supply system for the landowners within the area of the District. The District is governed by a seven-member board of directors. The following is a summary of the District's significant accounting policies.

The Financial Reporting Entity

The financial reporting entity of the District is comprised of the primary government, the District. The accompanying financial statements present the activities and water system operating fund of the District. The District has considered all potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District. Based on these criteria, there are no component units to be included within the District as a reporting entity.

Basis of Presentation

Government-wide statements. The *statements of net position* and the *statements of revenues, expenses, and changes in net position* display information about the primary government, the District. These statements show that the financial activities of the overall government business-type activities are financed mostly by fees charged to external parties. Business-type activities are reported in one fund.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The District reports the following proprietary (business-type enterprise) fund:

Water Fund - This business-type enterprise fund accounts for the operation and maintenance of the water system of the District. All activities and balances of the entity are accounted for in this fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Proprietary Fund Financial Statements. The proprietary fund financial statements are reported using the economic resources measurement focus. The proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include special assessments, grants, entitlements, and donations.

Enterprise funds are used to account for operations operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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 they are needed.

Cash and Cash Equivalents

The District considers all highly liquid deposits with original maturities of twelve months or less to be cash and cash equivalents. This includes investments in money market and checking accounts.

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable include amounts due from customers for water use. All receivables are current and, therefore, due within one year.

Allowance for Doubtful Accounts

The District bills customers monthly. Invoices not paid by the 16th day of the month incur a late fee. A notice to disconnect is sent if the invoice remains unpaid. As most customers pay before they are disconnected and there have been no amounts written off in the past three years. Management has evaluated all receivables and determined that the allowance for doubtful accounts should be $0 as of December 31, 2023 and 2022.

Inventory

Inventory is valued at the lower of cost or market and consists of pipe, valves, meters and other items needed to repair or add water lines.

Capital Assets

Capital assets purchased or built are capitalized at cost or estimated historical cost if actual cost is unavailable. The District's policy is to capitalize all assets with a cost of $1,000 or more and a useful life exceeding one year. Depreciation is recorded based on the estimated useful life of each asset using the straight-line method. The estimated useful lives of assets are as follows: water distribution system – 40 to 50 years, buildings – 20 to 40 years, machinery and equipment – 5 to 20 years, vehicles – 5 to 7 years, office equipment – 5 to 10 years.

Net Position

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

Net Investment in Capital Assets – 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 net investment in capital assets. 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 does not meet the definition of "restricted" or "net investment in capital assets."

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange transactions or ancillary activities.

Income Taxes

The District is a quasi-municipality and, as such, it is not subject to income taxes.

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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Contributions

Assets contributed by new benefit units are recorded as capital contributions when received. When a benefit unit is returned, operating revenue is recognized for the capital contribution that was originally recorded.

Budgetary Information

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

Subsequent Events

Management has evaluated subsequent events through May 14, 2024 which is the date the financial statements were available to be issued.

Note 2: 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 fund 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 – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to the District. Kansas statutes require the District's deposit 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%.

December 31, 2023

On December 31, 2023, the District's carrying amount of deposits was $868,526 and the bank balance was $870,953. The bank balance was held by four banks. Of the bank balance, $550,000 was covered by federal depository insurance and $320,953 was collateralized with securities held by the pledging financial institution's agents in the District's name. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: The District, the pledging bank, and the independent third-party bank holding the pledged securities.

December 31, 2022

On December 31, 2022, the District's carrying amount of deposits was $840,213 and the bank balance was $841,253. 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 $591,253 was collateralized with securities held by the pledging financial institution's agents in the District's name. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: The District, the pledging bank, and the independent third-party bank holding the pledged securities.

Note 3: Capital Assets

Capital asset activity for the year ended December 31, 2023 was as follows:

	Balance on December 31, 2022	Additions	Retirements	Balance on December 31, 2023
Nondepreciable Capital Assets				
Construction in progress	$ -	$ 183,932	$ -	$ 183,932
Depreciable Capital Assets				
Water distribution system	5,851,579	47,966	-	5,899,545
Buildings	255,993	-	-	255,993
Machinery and equipment	134,851	-	-	134,851
Vehicles	111,938	6,997	-	118,935
Office equipment	28,231	-	-	28,231
Total Depreciable Capital Assets	6,382,592	54,963	-	6,437,555
Accumulated depreciation	(3,930,542)	(169,836)	-	(4,100,378)
Total Depreciable Capital Assets, Net	2,452,050	(114,873)	-	2,337,177
Capital Assets, Net	$ 2,452,050	$ 69,059	$ -	$ 2,521,109

Capital asset activity for the year ended December 31, 2022 was as follows:

	Balance on December 31, 2021	Additions	Retirements	Balance on December 31, 2022
Nondepreciable Capital Assets				
Construction in progress	$ 1,483	$ -	$ 1,483	$ -
Depreciable Capital Assets				
Water distribution system	5,803,195	52,545	4,161	5,851,579
Buildings	240,493	15,500	-	255,993
Machinery and equipment	118,952	15,899	-	134,851
Vehicles	116,238	-	4,300	111,938
Office equipment	28,231	-	-	28,231
Total Depreciable Capital Assets	6,307,109	83,944	8,461	6,382,592
Accumulated depreciation	(3,765,955)	(173,048)	(8,461)	(3,930,542)
Total Depreciable Capital Assets, Net	2,541,154	(89,104)	-	2,452,050
Capital Assets, Net	$ 2,542,637	$ (89,104)	$ 1,483	$ 2,452,050

Note 4: Long-Term Debt

The following is a schedule of long-term debt activity for the year ended December 31, 2023

	Beginning Balance	Additions	Retirements	Ending Balance
Water Revenue Bonds	$ 265,000	$ -	$ 15,000	$ 250,000
Kansas Water Supply Loan	729,814	-	48,368	681,446
Total Long-Term Debt	$ 994,814	$ -	$ 63,368	$ 931,446

The following is a schedule of long-term debt activity for the year ended December 31, 2022

	Beginning Balance	Additions	Retirements	Ending Balance
Water Revenue Bonds	$ 280,000	$ -	$ 15,000	$ 265,000
Kansas Water Supply Loan	777,028	-	47,214	729,814
Total Long-Term Debt	$ 1,057,028	$ -	$ 62,214	$ 994,814

Long-term debt consists of the following on December 31, 2023 and 2022:

	2023	2022
Water Revenue Bonds. On June 15, 2012, the District issued $420,000 in Kansas Rural Water Finance Authority Revenue Bonds, Series E 2012 with effective interest rates ranging from 1.00% to 4.2%. The new bond issue paid-off the outstanding note with the United States Department of Agriculture, Rural Development. Interest payments are due semi-annually on June 1 and December 1. Principal payments are due starting on December 1, 2012 and mature in 2035.	$ 250,000	$ 265,000
Kansas Water Supply Loan. On December 21, 2011, the District entered into a loan agreement with the Kansas Department of Health and Environment (KDHE) for a Kansas Public Water Supply Loan not to exceed $1,100,742, for the purpose of furnishing a public water supply project. Funding of the loan was provided by the Environmental Protection Agency through a Capitalization Grant for Drinking Water State Revolving Fund. Interest on the loan is 2.43% per annum. The first amendment to the loan agreement was effective September 16, 2014 and established the future payment schedule of the loan. The second amendment to the loan agreement was effective September 2, 2015 and decreased the original loan amount by $63,018 bringing the new loan balance to $1,037,724 and established a revised future payment schedule. Interest payments are due semi-annually on February 1 and August 1 and principal payments are due starting on February 1, 2016 and maturing in 2035.	681,446	729,814
Total Long-Term Debt	931,446	994,814
Less: Current portion of long-term debt	(64,550)	(63,368)
Less: Unamortized bond discount	(5,212)	(5,669)
Long-Term Debt, Net of Current Portion and Discount	$ 861,684	$ 925,777

Note 4: Long-Term Debt (Continued)

Future maturities of long-term debt are as follows:

Due in Year(s)	Principal	Interest	Service Fee	Total
2024	$ 64,550	$ 23,337	$ 2,342	$ 90,229
2025	65,762	21,851	2,167	89,780
2026	67,003	20,339	1,989	89,331
2027	73,274	18,801	1,806	93,881
2028	74,577	16,986	1,618	93,181
2029-2033	393,562	56,129	5,112	454,803
2034-2035	192,718	7,751	562	201,031
Total	$ 931,446	$ 165,194	$ 15,596	$ 1,112,236

The Series 2012 bonds were issued for $420,000, which included a $10,500 discount. This discount is amortized over the life of the bonds using the straight-line method because the effective yield method was determined to not be significantly different. There was $457 of bond amortization expense for each of the years ending December 31, 2023 and 2022.

Note 5: Debt Service Ratio

The bond issue covenants require the District to maintain a debt service ratio of at least 1.25. The following represents the debt service ratio calculation for the years ending December 31,:

	2023	2022
Change in net position	$ 68,939	$ 68,754
Interest expense	24,397	26,104
Depreciation	169,836	173,048
Capital contributions	-	(15,000)
Total Revenue Available for Debt Service	$ 263,172	$ 252,906
Debt service payments	$ 87,644	$ 90,416
Debt service ratio	3.00	2.80

Note 6: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To insure against risk of these types of losses, the District has purchased commercial insurance coverage from EMC Companies through Anderson Peck Agency Inc. in Topeka, Kansas. The District did not experience losses related to these risks during the years ended December 31, 2023 and 2022.

Note 7: Retirement Plan

The District provides a Savings Investment Match Plan for Employees (SIMPLE IRA) to eligible employees who earn over $5,000 during the year. The District contributes 2% of the employee's annual salary to their SIMPLE IRA. In 2023 and 2022, the District contributed $3,622 and $3,206 respectively to the retirement plan.

Note 8: Compensated Absences Policy

Sick Leave: The District provides sick leave for their eligible full-time employees at a rate of two days per month. These days may be carried forward to future years up to a maximum of 90 days. If employment is terminated, the sick leave is lost. However, an employee with a 90-day accumulation can elect upon retirement to use sick leave to retire one month early with pay.

Note 8: Compensated Absences Policy (Continued)

Vacation Leave: Upon completion of one year of continuous employment, a regular full-time employee earns vacation days as follows: After one year, five days are earned; after two years, ten days are earned; and, after three years, ten days plus one day for each year of employment after the third year. Employees cannot earn more than three weeks of vacation (15 days per year), in a single year. A maximum of one-half of earned vacation can be carried over to the following calendar year. Employees are paid all earned vacation upon termination of employment. At December 31, 2023 and 2022, the value of accrued vacation was $3,846 and $4,006, respectively and this amount has been reported on the statements of net position as part of accrued liabilities.

Note 9: Compliance with Kansas Statutes

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Kansas Director of Accounts and Reports and interpretation by the Dickinson County Attorney and legal representatives of the District. There were no apparent statutory violations during the years end December 31, 2023 and 2022.