# *Rural Water District No. 1*
# *Phillips County, Kansas*

***Financial Statement***

***December 31, 2023***

*ATC Accounting*

Rural Water District No. 1, Phillips County, Kansas
Financial Statement
December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rural Water District No. 1, Phillips County, Kansas
Phillipsburg, Kansas 67661

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Rural Water District No. 1, Phillips County, Kansas, as of and for the year ended December 31, 2023 and the related notes to the financial statements.

## *Management's Responsibility for the Financial Statement*

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

## *Auditors' Responsibility*

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the Kansas Municipal Audit and Accounting Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles*

As described in Note 1 of the financial statement, the financial statement is prepared by the Rural Water District No. 1, Phillips County, Kansas to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

## *Adverse Opinion on U.S. Generally Accepted Accounting Principles*

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Rural Water District No. 1, Phillips County, Kansas as of December 31, 2023, or changes in financial position and cash flows thereof for the year then ended.

## *Opinion on Regulatory Basis of Accounting*

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Rural Water District No. 1, Phillips County, Kansas as of December 31, 2023, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

## *Report on Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the 2023 fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual, individual fund schedules of regulatory basis receipts and expenditures-actual (Schedules 1 and 2 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the 2023 basic financial statement, however are required to be presented under the provision of the Kansas Municipal audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2023 basic financial statement. The 2023 information has been subjected to the auditing procedures applied in the audit of the 2023 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2023 basic financial statement or to the 2023 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2023 basic financial statement as a whole, on the basis of accounting described in Note 1.

The 2022 Actual column presented in the individual fund schedules of regulatory basis receipts and expenditures-actual (Schedule 2 as listed in the table of contents) are also presented for comparative analysis and are not a required part of the 2022 basic financial statement upon which we rendered as unqualified opinion dated April 6, 2023. The 2022 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, Office of Management Analysis and Standards at the following link http://da.ks.gov/ar/muniserv/. Such 2022 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2022 basic financial statement. The 2022 comparative information was subjected to the auditing procedures applied in the audit of the 2022 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2022 basic financial statement or to the 2022 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2022 comparative information is fairly stated in all material respects in relation to the 2022 basic financial statement as a whole, on the basis of accounting described in Note 1.

*ATC Accounting*

ATC Accounting
March 1, 2024

# Rural Water District No. 1, Phillips County, Kansas
## Summary Statement of Receipts, Expenditures, and Unencumbered Cash
## Regulatory Basis
## For the Year Ended December 31, 2023

| Funds | Beginning Unencumbered Cash Balance | Receipts | Expenditures | Ending Unencumbered Cash Balance | Add Encumbrances And Accounts Payable | Ending Cash Balance |
|---|---|---|---|---|---|---|
| Business Funds: | | | | | | |
| Operations and Maintenance | $ 310,205 | $ 262,829 | $ 196,922 | $ 376,112 | $ - | $ 376,112 |
| Principal and Interest | 78,423 | 78,420 | 78,420 | 78,423 | - | 78,423 |
| Total Financial Reporting Entity | $ 388,628 | $ 341,249 | $ 275,342 | $ 454,535 | $ - | $ 454,535 |

| COMPOSITION OF CASH | |
|---|---|
| Cash in bank | $ 65,597 |
| Savings and Certificates of Deposits | 388,938 |
| Total Financial Reporting Entity | $ 454,535 |

The notes to the financial statement are an integral part of this statement

Rural Water District No. 1, Phillips County, Kansas
Notes to Financial Statement
For the Year Ended December 31, 2023

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Financial Reporting Entity

Rural Water District No. 1, Phillips County, Kansas (the District) was formed as a public body under the provisions of K.S.A. 82a-613 et seq and is exempt from federal and state income taxes.

The purpose of the District is to acquire water and water rights, to build and acquire pipelines and other facilities; to operate the same for the purpose of furnishing water for domestic, garden, livestock and other purposes to owners and occupants of land located within the District, and to others as authorized by the by-laws.

### (b) Regulatory Basis Fund Types

**General fund** – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.
**Special Purpose fund** – used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.
**Bond and Interest fund** – used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.
**Capital Project fund** – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.
**Business fund** – funds financed in whole or in part by fees charged to users of the goods or services (i.e. water fund, electric fund, etc.).
**Trust fund** – funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.).
**Agency fund** – funds used to report assets held by the municipal reporting entity in a purely custodial capacity (i.e. payroll clearing fund, county treasurer tax collection accounts, etc.).

### (c) Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The Kansas Municipal Audit and Accounting Guide (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The Rural Water District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Rural Water District to use the regulatory basis of accounting.

**(d) Budgetary Information**

Rural Water District No. 1, Phillips County, Kansas is exempt from the Kansas Statute requiring an annual operating budget being legally adopted.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Compliance with Kansas Statutes**

The Rural Water District is not aware of any non-compliance with Kansas Statutes.

**3. DEPOSITS AND INVESTMENTS**

As of December 31, 2023, the District had no investments other than certificates of deposit.

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 an 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.

*Concentration of credit risk*. State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

*Custodial credit risk – deposits*. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutes 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. All deposits were legally secured at December 31, 2023.

At December 31, 2023, the District's carrying amount of deposits was $454,535 and the bank balance was $461,489. The bank balance was held by four banks resulting in less concentration of credit risk. Of the bank balance $461,489 was covered by federal depository insurance.

*Custodial Credit Risk – Investments.* For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

4. Long-term Debt

Changes in long-term liabilities for the District for the year ended December 31, 2023, were as follows:

| Issue | Interest Rates | Date of Issue | Amount of Issue | Date of Final Maturity | Beginning Balance 01/01/2023 | Additions | Reductions/ Payments | Ending Balance 12/31/2023 | Interest/ Service Fees Paid |
|---|---|---|---|---|---|---|---|---|---|
| USDA Loans: | | | | | | | | | |
| Loan #1 | 4.250% | 2007 | $ 981,200 | 2047 | $ 792,571 | - | $ 18,845 | $ 773,726 | $ 33,319 |
| Loan #2 | 4.125% | 2007 | 502,800 | 2039 | 311,649 | - | 13,657 | 297,992 | 12,599 |
| Total Contractual Indebtedness | | | | | $ 1,104,220 | $ - | $ 32,502 | $ 1,071,718 | $ 45,918 |

Current maturities of long-term debt and interest for the next five years and in five-year increments through maturity are as follows:

| Year | USDA Loan #1 Principal | USDA Loan #1 Interest | USDA Loan #2 Principal | USDA Loan #2 Interest | Total Principal | Total Interest |
|---|---|---|---|---|---|---|
| 2024 | $ 19,569 | $ 32,595 | $ 14,197 | $ 12,059 | $ 33,766 | $ 44,654 |
| 2025 | 20,510 | 31,654 | 14,828 | 11,428 | 35,338 | 43,082 |
| 2026 | 21,399 | 30,765 | 15,452 | 10,804 | 36,851 | 41,569 |
| 2027 | 22,326 | 29,838 | 16,101 | 10,155 | 38,427 | 39,993 |
| 2028 | 23,211 | 28,953 | 16,751 | 9,505 | 39,962 | 38,458 |
| 2029-2033 | 132,423 | 128,397 | 95,057 | 36,223 | 227,480 | 164,620 |
| 2034-2038 | 163,727 | 97,093 | 116,799 | 14,481 | 280,526 | 111,574 |
| 2039-2043 | 202,433 | 58,387 | 8,807 | 77 | 211,240 | 58,464 |
| 2044-2047 | 168,128 | 13,024 | - | - | 168,128 | 13,024 |
| | $ 773,726 | $ 450,706 | $ 297,992 | $ 104,732 | $ 1,071,718 | $ 555,438 |

**5. DEFINED BENEFIT PENSION PLAN**

The Rural Water District had no employees qualifying for Defined Benefit Pension Plan. All employees are part-time.

**6. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS**

The Rural Water District employees were all part-time and no additional benefits are provided employees current or post employment.

**7. CLAIMS AND JUDGMENTS**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The District has purchased commercial insurance for these potential risks. There have been no significant reductions in insurance coverage from 2022 to 2023 and there were no settlements that exceeded insurance coverage in the past three years.

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

**8. INTERFUND TRANSFERS**

Operating transfers were as follows:

| From | To | Amount |
|---|---|---|
| Operations & Maintenance Fund | Principal and Interest Fund | $ 78,420 |

**9. RELATED PARTIES**

Bruce Williams is a board member of the Rural Water District and currently the Chief Operations Officer of Trinity Ag, LLC. Bruce Williams abstains from any voting relating to Trinity Ag, LLC. The total amount of payments from the Rural Water District to Trinity Ag, LLC in 2023 and 2022 was $860 and $306, respectively.

**10. SUBSEQUENT EVENTS**

Management has evaluated the effects of the financial statement of subsequent events occurring through the date of the report which is the date at which the financial statement was available to be issued.

**RURAL WATER DISTRICT NO. 1, PHILLIPS COUNTY, KANSAS**

**REGULATORY-REQUIRED**

**SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

Rural Water District No. 1, Phillips County, Kansas
Operations and Maintenance Fund
Statement of Receipts and Expenditures – Actual
For the Year End December 31, 2023

| | 2023 Actual | 2022 Actual |
|---|---|---|
| Receipts | | |
| Water Sales | $ 243,183 | $ 237,229 |
| Member Investments | 10,000 | 8,000 |
| Reimbursements | 3,242 | 885 |
| Interest on Idle Funds | 6,404 | 1,639 |
| Miscellaneous | - | - |
| Total Receipts | 262,829 | 247,753 |
| Expenditures | | |
| Salaries | 55,095 | 50,125 |
| Employee benefits | 360 | 330 |
| Mileage | 2,114 | 1,218 |
| Repairs and maintenance | 6,885 | 66,631 |
| Utilities | 6,462 | 7,247 |
| Rent | 6,123 | 6,005 |
| Supplies, postage, internet | 4,565 | 3,531 |
| Insurance | 9,221 | 7,913 |
| Training | 1,262 | 869 |
| Professional fees | 14,044 | 4,790 |
| Fuel | 5,056 | 5,798 |
| Taxes | 3,981 | 2,362 |
| Dues and fees | 3,334 | 3,968 |
| Equipment | - | - |
| Transfer to Principal and Interest | 78,420 | 78,420 |
| Total Expenditures | 196,922 | 239,207 |
| Receipts Over (Under) Expenditures | 65,907 | 8,546 |
| Unencumbered Cash, January 1 | 310,205 | 301,659 |
| Unencumbered Cash, December 31 | $ 376,112 | $ 310,205 |

Rural Water District No. 1, Phillips County, Kansas
Principal and Interest Fund
Statement of Receipts and Expenditures – Actual
For the Year End December 31, 2023

| | 2023 Actual | 2022 Actual |
|---|---|---|
| Receipts | | |
| Transfer from Operations and Maintenance | $ 78,420 | $ 78,420 |
| Interest on Idle Funds | - | - |
| Total Receipts | 78,420 | 78,420 |
| Expenditures | | |
| Principal | 32,502 | 31,209 |
| Interest | 45,918 | 47,211 |
| Total Expenditures | 78,420 | 78,420 |
| Receipts Over (Under) Expenditures | - | - |
| Unencumbered Cash, January 1 | 78,423 | 78,423 |
| Unencumbered Cash, December 31 | $ 78,423 | $ 78,423 |