

**RURAL WATER DISTRICT NO. 2
TREGO COUNTY, KANSAS**

**Financial Statements and Independent Auditors' Reports
With Supplementary Information**

For the Year Ended December 31, 2017

**RURAL WATER DISTRICT NO. 2
TREGO COUNTY, KANSAS**

**Financial Statements and Independent Auditors’
Reports with Supplementary Information**

For the Year Ended December 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Rural Water District No. 2
Trego County, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Rural Water District No. 2, Trego County, Kansas, which comprise the statement of net position as of December 31, 2017, and the related statement of revenues, expenses, and changes in net position and cash flows for the year ended, and related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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

Opinions

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 No. 2, Trego County, Kansas, as of December 31, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted 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 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements for the business-type activities of Rural Water District No. 2, Trego County, Kansas. Schedule 1 and 2 as listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. We have applied certain limited procedures to the supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Jeff Pinkney CPA, Inc.

Hays, Kansas
February 21, 2018

RURAL WATER DISTRICT NO. 2
TREGO COUNTY, KANSAS

Statement of Net Position

December 31, 2017

ASSETS	Business-type Activities
Current Assets	
Cash and cash equivalents	\$ 390,791
Accounts receivable (net of allowance for doubtful accounts)	3,956
Prepaid insurance	18,083
Total Current Assets	<u>412,830</u>
Noncurrent Assets	
Restricted cash - debt reserve funds	295,843
CoBank equity	1,000
Bond costs, net of amortization	60,491
Capital assets, net of accumulated depreciation	8,077,330
Total Noncurrent Assets	<u>8,434,664</u>
Total Assets	<u><u>\$ 8,847,494</u></u>
LIABILITIES AND NET POSITION	
Current Liabilities	
Accounts payable	\$ 16,660
Interest payable	21,909
Payroll liabilities	8,232
Accrued compensated absences	739
Advanced water charges	28,835
Current maturities of long term debt	132,482
Total Current Liabilities	<u>208,857</u>
Long Term Liabilities	
Bond payable, less current maturities	2,310,000
Notes payable, less current maturities	2,051,974
Total long term liabilities	<u>4,361,974</u>
Total Liabilities	<u>4,570,831</u>
Net Position	
Net investment in capital assets	3,643,365
Restricted	295,843
Unrestricted	337,455
Total Net Position	<u>4,276,663</u>
Total Liabilities and Net Position	<u><u>\$ 8,847,494</u></u>

The accompanying notes are an integral part of these statements.

RURAL WATER DISTRICT NO. 2
TREGO COUNTY, KANSAS

Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2017

	<u>Business-type Activities</u>
Operating Revenues	
Water sales and monthly meter fees	\$ 753,960
Late charges	7,734
Reimbursed expenses-construction costs	65,698
Other	<u>24,730</u>
Total Operating Revenues	<u>852,122</u>
Operating Expenses	
Personnel services	106,379
Maintenance, operations, and contractual services	337,758
Amortization	3,129
Depreciation	<u>329,859</u>
Total Operating Expenses	<u>777,125</u>
Operating Income (Loss)	<u>74,997</u>
Non-Operating Revenues (Expenses)	
Member's Fees	65,125
Interest income	1,344
Interest expense	<u>(187,694)</u>
Total Non-Operating Revenues (Expenses)	<u>(121,225)</u>
Increase (Decrease) in Net Position	<u>(46,228)</u>
Net Position, Beginning of Year	<u>4,322,891</u>
Net Position, End of Year	<u><u>\$ 4,276,663</u></u>

The accompanying notes are an integral part of these statements.

RURAL WATER DISTRICT NO. 2
TREGO COUNTY, KANSAS
Statement of Cash Flows
For the Year Ended December 31, 2017

	<u>Business-type Activities</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 757,038
Reimbursed construction costs	65,698
Other operating revenues	24,730
Payments to suppliers for goods and services	(350,964)
Payments to employees for services	<u>(101,879)</u>
Net Cash Provided (Used) by Operating Activities	<u>394,623</u>
Cash Flows from Capital and Related Financing Activities	
Member's Fees	65,125
Principal paid on loans	(126,960)
Interest paid on loans	<u>(188,090)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(249,925)</u>
Cash Flows from Investing Activities	
Interest income	1,532
Restricted cash - debt reserve funds	(30,559)
Acquisition and construction of capital assets	<u>(335,328)</u>
Net Cash Provided (Used) by Investing Activities	<u>(364,355)</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>(219,657)</u>
Cash and Cash Equivalents, Beginning of Year	<u>610,448</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 390,791</u></u>

The accompanying notes are an integral part of these statements.

RURAL WATER DISTRICT NO. 2
TREGO COUNTY, KANSAS
Statement of Cash Flows
For the Year Ended December 31, 2017

	<u>Business-type Activities</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 74,997
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Amortization	3,129
Depreciation	329,859
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	9,938
(Increase) decrease in prepaid expenses	(3,245)
Increase (decrease) in accounts payable	(9,961)
Increase (decrease) in payroll liabilities	6,603
Increase (decrease) in accrued compensated absences	(2,103)
Increase (decrease) in advanced water payments	<u>(14,594)</u>
Total Adjustments	<u>319,626</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 394,623</u></u>

The accompanying notes are an integral part of these statements.

RURAL WATER DISTRICT NO. 2
TREGO COUNTY, KANSAS

Notes to the Financial Statements

December 31, 2017

Note 1 – Summary of Significant Accounting Policies

Reporting Entity – Rural Water District No. 2, Trego County, Kansas, was incorporated on September 16, 1991. The District was formed as a public body under the provisions of K.S.A. 82a-612 et seq and is exempt from federal and state income tax.

The purpose of the District is to acquire water and water rights, to build and acquire pipelines and other facilities, and 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.

The District is governed by no fewer than five and no more than a nine-member board, all of which are participating members of the District. Members are elected to staggering one, two, and three-year terms. Nomination of new members is performed by the current board.

Generally accepted accounting principles of the United States of America require that the financial statements present the accounts and operations of the District and its component units, entities for which the entity is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the entity's operations. If component units exist, data from these units are combined with data from the District. Each discretely presented component unit, if any, would be reported in a separate column in the combined financial statements to emphasize that it is legally separate from the District. As of December 31, 2017, and for the fiscal year then ended, the District had no discretely presented component units or any component units required to be blended in these financial statements.

Basis of Presentation – The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

Proprietary Fund Type – The District uses a proprietary fund type to account for the activities of the District in a manner similar to commercial enterprises. Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated, if applicable.

The District has one major proprietary fund and that fund accounts for the business-type activities of the District. Business-type activities are financed in whole by water fees charges to customers and accounts for the operation, maintenance, and development of water meters and pipeline, which are owned by the District.

RURAL WATER DISTRICT NO. 2
TREGO COUNTY, KANSAS

Notes to the Financial Statements

December 31, 2017

Note 1 – Summary of Significant Accounting Policies - continued

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included in the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating and Non-Operating Revenues and Expenses - The District distinguishes between operating and non-operating revenues and expenses in its Statement of Revenues, Expenses and Changes in Net Position. Operating revenues include water sales, monthly meter fees, late fees, and other miscellaneous reimbursements. Operating expenses include the cost attributed to administration, utilities, maintenance and operations, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenue and expenses.

Member’s Fees – Each participating landowner is required to remit a membership fee for each benefit unit attached to the District’s services. The fee is non-refundable and follows ownership of the property on which it is located.

Monthly Meter Fee Revenue – The District collects \$35 per month for each benefit unit attached to its system. This charge is in addition to water sales and is assessed whether or not the member used water during any given month. The purpose of the charge is to assure that funds will be available for payment of the annual loan installment. Members will be responsible for the monthly reading of the meter and assessment of a rate of \$4.10 per 1000 gallons of water consumed. A meter reading fee of \$75 will be charged to accounts for meters the District reads.

Advanced Water Payments – The District reports unearned deferred revenue in the Statement of Net Position. Advanced Water Payments arise when customers prepay fees for water usage. These advance water payments do not meet both the measurable and available criteria for recognition in the current period.

Cash and Cash Equivalents – Cash and cash equivalents (including restricted) consist of short-term investments with an original maturity of three months or less, cash on deposit, money market funds, and certificates of deposit.

Prepaid Expenses – Certain payments to vendors reflect costs applicable to future periods. These payments are recorded as prepaid expenses.

RURAL WATER DISTRICT NO. 2
TREGO COUNTY, KANSAS

Notes to the Financial Statements

December 31, 2017

Note 1 – Summary of Significant Accounting Policies - continued

Restricted Cash – Restricted cash is cash which use is limited by legal requirements. Reserve accounts represent amounts required by debt covenants to be segregated for debt payment. When restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

Reimbursed Expenses – Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. The reimbursed expenses are for construction costs repaid by developers.

Income Tax – The District is a governmental subdivision of the State of Kansas and is exempt from Federal and State income taxes.

Note 2 – 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 the 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. The District's investments consist solely of certificates of deposit and are considered a component cash.

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 institutions to be entirely covered by the federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2017.

RURAL WATER DISTRICT NO. 2
TREGO COUNTY, KANSAS

Notes to the Financial Statements

December 31, 2017

Note 2 – Deposits - continued

At December 31, 2017, the District's carrying amount of deposits, including certificates of deposit, was \$686,634 and the bank balance was \$687,795. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$434,019 was covered by federal depository insurance and the balance of \$253,776 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

Note 3 – Accounts Receivable

All receivables from landowners or occupants are for meter fees, installation charges, or water sales. These receivables are shown net of an allowance for doubtful accounts. The allowance for doubtful accounts is estimated based upon a review of delinquent accounts.

Gross accounts receivable	\$ 8,256
Less: allowance for doubtful accounts	<u>(4,300)</u>
Net accounts receivable	<u><u>\$ 3,956</u></u>

Note 4 – Capital Assets, Depreciation, and Amortization

Capital assets are valued at historical cost. The District generally capitalizes assets with costs of \$500 or more. Depreciation of all exhaustible capital assets is charged as an expense against operations. Depreciation is provided over the estimated useful lives using the straight-line method. Estimated useful lives in years for depreciable assets are as follow:

Non-dwelling structures	40 years	straight-line
Vehicles and equipment	5 - 20 years	straight-line

Capital assets are reported net of accumulated depreciation. Depreciation expense was \$329,859 for the year ended December 31, 2017. A summary of capital assets and accumulated depreciation is as follows:

	Balance 12/31/2016	Increases	Decreases	Balance 12/31/2017
Capital Assets	\$ 12,472,499	\$ 335,328	\$ (41,064)	\$ 12,766,763
Less: accumulated depreciation	(4,400,638)	(329,859)	41,064	(4,689,433)
Capital Assets, net	<u>\$ 8,071,861</u>	<u>\$ 5,469</u>	<u>\$ -</u>	<u>\$ 8,077,330</u>

RURAL WATER DISTRICT NO. 2
TREGO COUNTY, KANSAS

Notes to the Financial Statements

December 31, 2017

Note 4 – Capital Assets, Depreciation, and Amortization - continued

As of December 31, 2017, the District did not have any impaired assets.

The District started the engineering and construction of an above ground water storage system in 2017. Of the \$335,328 increase in capital assets, \$46,581 was attributable to the above ground water storage system. Construction in progress costs are as follows:

	Balance 12/31/2016	Increases	Decreases	Balance 12/31/2017
Construction in progress	\$ -	\$ 46,581	\$ -	\$ 46,581

Bond costs are amortized over the life of the bond payable and are reported net of accumulated amortization. Amortization expense was \$3,129 for the year ended December 31, 2017. A summary of bond costs and accumulated amortization is as follows:

Bond costs	\$ 78,222
Less: accumulated amortization	(17,731)
Bond costs, net	<u>\$ 60,491</u>

Note 5 – Contingencies

The District is subject to possible examinations by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refunds by the entity to the federal grantors and/or program beneficiaries.

Note 6 – Compensated Absences

Full-time employees earn one week paid vacation after one full year of continuous service and two weeks paid vacation after two years. Employees may carry forward a maximum of three days of unused vacation from one calendar year to the next.

Full-time employees earn one day of sick leave per month. Sick leave may accumulate up to a maximum of ten days.

For salaried employees who work more hours per month than set forth in their employment agreement, then said employee is entitled to receive compensation time for all hours on the job which exceed the set number of hours per month. Employee will be

RURAL WATER DISTRICT NO. 2
TREGO COUNTY, KANSAS

Notes to the Financial Statements

December 31, 2017

Note 6 – Compensated Absences - continued

allowed one and one-half hours off with pay. Employees can accumulate up to 700 hours of compensation time and carry forward a maximum of 500 hours of unused compensation time from one calendar year to the next.

Payment for allowed absences shall be at the employee's regular hourly rate time their average hours per day or eight hours per day, whichever is less.

The liability for accrued compensated absences as of December 31, 2017, was as follows:

Vacation leave	\$ 739
Sick leave	-
Total accrued compensated absences	<u>\$ 739</u>

Note 7 – Other Employment Benefits

The District provides a health insurance plan for all full-time employees, with the District paying for an employee's single health insurance premium. At year-end one employee was participating in the plan at a cost of \$4,322 to the District.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the District under this program.

Note 8 – Net Position

The financial statements utilize a net position presentation. Net position is categorized as Net Investment in capital assets, Restricted Net Position, and Unrestricted Net Position.

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Debt and accumulated depreciation attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

RURAL WATER DISTRICT NO. 2
TREGO COUNTY, KANSAS

Notes to the Financial Statements

December 31, 2017

Note 8 – Net Position - continued

Restricted Net Position – This category represents net position of the District restricted for repayment of debt as per the debt covenants. A summary of restricted net position at December 31, 2017, was as follows:

Reserve for Rural Development Loans	
Loan No. 9	\$ 17,169
Loan No. 11	64,131
Loan No. 13	39,433
Total Reserve for Rural Development Loans	<u>120,733</u>
Water Revenue Bonds	
Series 2012 - Reserve	80,455
Series 2012 - Principal & Interest	94,655
Total Reserve for Rural Development Loans	<u>175,110</u>
Total Restricted Net Position	<u>\$ 295,843</u>

Unrestricted Net Position – This category represents net position of the District, not restricted for any project or other purpose.

Note 9 – 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 for which the District carries commercial insurance.

During the year ended December 31, 2017, the District did not reduce insurance coverage from levels in place during the prior year. No settlements have exceeded coverage levels in place during the past three fiscal years.

Note 10 – Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditors' Report, which is the date the financial statement were available to be issued.

RURAL WATER DISTRICT NO. 2
TREGO COUNTY, KANSAS

Notes to the Financial Statements

December 31, 2017

Note 11 – Compliance with Finance-Related Legal and Contractual Provisions

Statutory Compliance

(a) Bond Payments

K.S.A. 10-130 requires the District to remit at least 20 days prior to maturity of the bonds the amount necessary to pay the interest and principal due. The District timely remitted all payments for the Series 2012 Water Revenue Bonds.

(b) Substantial Interest Filing

K.S.A. 75-4302a requires an individual elected or appointed to a local office to file a substantial interest filing within the timeline established by the statute. This was not done for three of the elected board members within the required timeline. This is a violation of this statute.

Note 12 – Credit Agreement

On June 22, 2015, the District signed a promissory agreement with Co-Bank that provides for a maximum loan of \$2,100,000. The agreement calls for a variable rate of interest and expires July 20, 2037. The District is paying a monthly commitment fee on the average daily unused balance at a rate of 0.25% per annum, payable monthly in arrears by the 20th day following each month. As of December 31, 2017, there was no outstanding balance.

RURAL WATER DISTRICT NO. 2
TREGO COUNTY, KANSAS

Notes to the Financial Statements

December 31, 2017

Note 13 – Current and Non-Current Obligations

The financial statements include outstanding debt reported as current and non-current obligations. The District obtained financing for new construction through Rural Development, an agency of the United States Department of Agriculture. Rural Development provides loans, grants, and loan guarantees for drinking water, sanitary sewer, solid waste, and storm drainage facilities in rural areas, cities, and towns of 10,000 or less.

The financial statements recognize the loan proceeds and grants as other financing sources of the current period. See the schedule of current and non-current obligations and the schedule of maturity of current and non-current obligations.

Changes in current and non-current obligations for the District for the year ended December 31, 2017, were as follows:

Issue	Interest Rate	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
Water Revenue Bonds:									
Series 2012	1-4.5%	4/26/2012	\$ 2,945,000	11/1/2036	\$ 2,495,000	\$ -	\$ 90,000	\$ 2,405,000	\$ 100,430
Rural Development Loans:									
Loan No. 9	4.250%	9/9/2004	320,000	9/9/2044	276,196	-	5,382	270,814	11,620
Loan No. 11	4.125%	3/8/2007	1,272,800	3/8/2047	1,145,776	-	19,549	1,126,227	46,844
Loan No. 13	4.125%	3/8/2007	782,600	3/8/2047	704,444	-	12,029	692,415	28,800
Total current and non-current obligations					<u>\$ 4,621,416</u>	<u>\$ -</u>	<u>\$ 126,960</u>	<u>\$ 4,494,456</u>	<u>\$ 187,694</u>

RURAL WATER DISTRICT NO. 2
TREGO COUNTY, KANSAS

Notes to the Financial Statements

December 31, 2017

Note 13 – Current and Non-Current Obligations – continued

Maturities of current and non-current obligations and interest for the next five years and through maturity are as follows:

	2018	2019	2020	2021	2022	2023-2027
Principal:						
Water Revenue Bonds	\$ 95,000	\$ 95,000	\$ 100,000	\$ 100,000	\$ 105,000	\$ 580,000
Rural Development Loans	37,482	39,066	40,715	42,435	44,226	250,779
Total principal	<u>132,482</u>	<u>134,066</u>	<u>140,715</u>	<u>142,435</u>	<u>149,226</u>	<u>830,779</u>
Interest						
Water Revenue Bonds	98,930	96,745	94,275	91,375	88,175	374,900
Rural Development Loans	86,838	85,254	83,605	81,885	80,094	370,821
Total interest	<u>185,768</u>	<u>181,999</u>	<u>177,880</u>	<u>173,260</u>	<u>168,269</u>	<u>745,721</u>
Total principal and interest	<u>\$ 318,250</u>	<u>\$ 316,065</u>	<u>\$ 318,595</u>	<u>\$ 315,695</u>	<u>\$ 317,495</u>	<u>\$ 1,576,500</u>
	2028-2032	2033-2037	2038-2042	2043-2047	Total	
Principal:						
Water Revenue Bonds	\$ 720,000	\$ 610,000	\$ -	\$ -	\$ 2,405,000	
Rural Development Loans	308,403	379,268	466,422	480,660	2,089,456	
Total principal	<u>1,028,403</u>	<u>989,268</u>	<u>466,422</u>	<u>480,660</u>	<u>4,494,456</u>	
Interest						
Water Revenue Bonds	237,150	64,125	-	-	1,145,675	
Rural Development Loans	313,197	242,332	155,178	50,799	1,550,003	
Total interest	<u>550,347</u>	<u>306,457</u>	<u>155,178</u>	<u>50,799</u>	<u>2,695,678</u>	
Total principal and interest	<u>\$ 1,578,750</u>	<u>\$ 1,295,725</u>	<u>\$ 621,600</u>	<u>\$ 531,459</u>	<u>\$ 7,190,134</u>	

RURAL WATER DISTRICT NO. 2
TREGO COUNTY, KANSAS

Supplementary Information

December 31, 2017

Schedule 1 – Insurance Disclosure

The District maintained insurance coverage as follows:

	Coverage	Deductible	Expiration	Premium	Carrier
Commercial property	\$2,614,343	\$ 1,000	10/13/2018	\$ 11,163	EMC Insurance Companies
General liability	1,000,000	-	10/13/2018	3,133	EMC Insurance Companies
Inland marine	57,450	500	10/13/2018	987	EMC Insurance Companies
Workers compensation	500,000	-	10/13/2018	2,792	EMC Insurance Companies
Other - linebacker	1,000,000	1,500	10/13/2018	1,117	EMC Insurance Companies
Commercial automobile	1,000,000	500	5/14/2017	1,580	State Farm Insurance
Fidelity	200,000	2,000	3/17/2018	732	America First Insurance
Flood	44,000	5,000	8/4/2018	816	Selective Insurance

Schedule 2 - Number of Customers Served

At December 31, 2017, the District reported 1,095 customers served.