RURAL WATER DISTRICT NO. 1
WASHINGTON COUNTY, KANSAS
HANOVER, KANSAS

Financial Statements

With

Independent Auditors' Report

DECEMBER 31, 2021

BRUNA AUDITING SERVICES LLC
DEREK BRUNA
CERTIFIED PUBLIC ACCOUNTANT
WASHINGTON, KANSAS

RURAL WATER DISTRICT #1
WASHINGTON COUNTY, KANSAS
HANOVER, KANSAS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Washington County Rural Water District No. 1
Hanover, Kansas 66945

I have audited the accompanying financial statements of Washington County Rural Water District No. 1 (WCRWD No. 1) as of and for the year ended December 31, 2021, and the related Statement of Revenues, Expenses, and Changes in Net Position, and Cash Flow for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of this financial statement in accordance with the 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 the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
My responsibility is to express an opinion on the financial statement based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America an. Those standards require I 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 the 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of the WCRWD No. 1, as of December 31, 2021, and the results of their operations, changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter: Management Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 6 be presented to supplement the basic financial statements. Such 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. I have applied certain limited procedures to the required 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 management's response to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Bruna Auditing Services LLC

Derek Bruna, CPA

Washington, Kansas

February 14, 2022

WASHINGTON COUNTY RURAL WATER DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

This section of the Washington County Rural Water District No. 1's annual financial report presents analysis of the Districts' financial performance during the fiscal year ended on December 31, 2021. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this *Management Discussion and Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. The District's financial statements are presented as one fund level financial statements because the District operates with a single fund.

Required Financial Statements

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. The District uses accrual accounting practices. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the District's creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Position. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This MD&A should be used concurrently with financial statements taken as a whole.

FINANCIAL HIGHLIGHTS AND ANALYSIS

Please refer to the attached table which shows a Condensed Statement of Net Position and Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position.

Net position may serve, over time, as a useful indicator of a government's financial position. The Statement of Net Position has been prepared implementing GASB 63 and 65. Net position represents the difference between assets and liabilities. In the case of the District, the total net position as of year ended December 31, 2021 was $2,360,494. The net position is comprised of Net Investment in Capital Assets of $1,739,050, Restricted Bond Reserves of $47,000 and Unrestricted Amounts of $574,444. This represents an increase of $155,404 from the previous year-end of $2,205,090 or 7.05%. This is due to strong operations once again by the district.

Current assets decreased but total assets increased $113,855. The District had several capital expenditures and used cash from reserves to make the purchases. The total assets increased 4.31%. Operating revenues increased and

expenses decreased. This is good combination that led to the operating success of the District. Accounts receivable have stayed relatively constant which shows management is staying on top of billing and doing a good job of collecting.

Current liabilities were virtually unchanged, as the current portion of debt payment was similar year to year. Long term liabilities were down again because the annual payment for the bond had been made again.

Unrestricted amounts of net position were $574,444, down from $605,082. This number decreased because the net invested in capital increased. This was due to the aforementioned capital purchased. The net invested in capital assets went up as the debt was reduced and the amount purchased was more than depreciation claimed for the year. It is good to see the performance of the district being reflected in the net position. With good operations, you would expect the net position to increase. Again, the expenditures the District incurred in the past are paying off in the efficiency of the operations continues to show positive trends. Unrestricted amounts of net position represent the amount available to be used to meet the District's ongoing obligations to creditors and operations of facilities. The District has sufficient funds to meet requirements for cash outlays in the next fiscal years as well as the financial capacity to sustain operations. At the end of the current fiscal year, the District is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal years.

A large portion of the District's net position reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The District uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending. The Net Investments in Capital Assets increased this fiscal year. Depreciation/amortization expense was $103,211 and the district capitalized assets in the amount of $254,253 for this year. The District has numerous long term assets scheduled that run their course annually on the appropriate depreciation schedules. Please see the Condensed Tables as well as Table 1 in the Notes for a breakdown of the capital assets being utilized by the District. The assets purchased were a vac trailer for $35,000, a boring machine for $101,704, a trencher for $34,000, generators for $32,300, an ATV for $6,000, upgrades to the water systems for $19,019, expenditures to the land for $2,225, and a truck and bed for $24,005.

While the Statement of Net Position shows the change in financial position of assets, the Statements of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes.

The profit for the District was $68,253 for the year ended December 31, 2020 and $131,262 for 2021, which includes depreciation expense. The interest expense of $7,851 for 2020 and $7,874 for 2021. Interest expense will be similar in the years to come. The District has continued to make its payments on time.

The statement of cash flows shows a decrease in cash and equivalents of $34,135. The ending cash in the statement of cash flows is $468,635. The debt payment and capital acquisitions used more cash than generated by strong operations.

Another payment for the 2019 Series A Bonds was made this year. More information regarding the bond can be found in Note Table 2 of the notes to the financial statements.

CAPITAL ASSET

Capital Assets – The Water District's investment in capital assets as of December 31, 2020 amounts to $1,983,008 and $2,134,050 for 2021 (net of accumulated depreciation). With the new additions, this number went up. This investment in capital assets includes land, buildings, improvements, equipment well fields, projects and construction in progress.

Additional information on the District's capital assets can be found in Note A and Table 1 of the notes to the financial statements of this report.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Mr. Darryl Schlabach, Washington County Rural Water District No. 1, 101 S Bern Street, Hanover, KS 66945.

FINANCIAL ANALYSIS - 2021

CONDENSED STATEMENTS OF NET POSITION

	FY 2021	FY 2020	Dollar Change	Percent Change
Current/other assets	$ 624,242	$ 661,429	$ -37,187	-5.62%
Capital assets	2,134,050	1,983,008	151,042	7.62%
Total Assets	2,758,292	2,644,437	113,855	4.31%
Current/other liabilities	37,798	44,347	-6,549	-14.77%
Long Term liabilities	360,000	395,000	-35,000	-8.86%
Total Liabilities	397,798	439,347	-41,549	-9.46%
Net Position				
Net Invested in capital assets	1,739,050	1,553,008	186,042	11.98%
Restricted	47,000	47,000	0	0.00%
Unrestricted	574,444	605,082	-30,638	-5.06%
Total Net Assets	$ 2,360,494	$ 2,205,090	$ 155,404	7.05%

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	FY 2021	FY 2020	Dollar Change	Percent Change
Revenues				
Operations	$ 707,296	$ 655,545	$ 51,751	7.89%
Other	5,978	15,027	-9,049	-60.22%
Total Revenues	713,274	670,572	42,702	6.37%
Expenses				
Depreciation	103,211	91,006	12,205	13.41%
Operating	478,801	511,313	-32,512	-6.36%
Total Expenses	582,012	602,319	-20,307	-3.37%
Excess (deficiency) before contributions	131,262	68,253	63,009	92.32%
Changes in Net Position	131,262	68,253	63,009	92.32%
Beginning net position	2,205,090	2,017,677	187,413	9.29%
Capital Contributed, Adjust/Benefit Unit	24,142	119,160	-95,018	-79.74%
Ending net position	$ 2,360,494	$ 2,205,090	$ 155,404	7.05%

WASHINGTON CO. RURAL WATER DISTRICT #1
STATEMENT OF NET POSITION
December 31, 2021

ASSETS		
CURRENT ASSETS		
United Bank And Trust MMDA	$	0
Bank of Palmer CD 160K		0
Bank of Palmer CD		0
Citizens State Bank-2019 CD		198,157
Citizens State Bank		46,592
Citizens State Bank-CD		223,726
First Commerce Bank		0
Petty Cash		160
Accounts Receivable		8,364
Other Receivable		106
Inventories		109,748
Prepaid Expenses		4,790
Prepaid Insurance		32,599
TOTAL CURRENT ASSETS	$	624,242
CAPITAL ASSETS		
Equip & Water System: River Crossing	$	161,503
Equip & Water System: Well Field		1,221,450
Equip & Water System: Equipment & Water System		4,307,283
Equip & Water System: Land & Easements		87,742
Equip & Water System: Office & Shop Building		193,029
Equip & Water System: Office Furniture & Equipment		22,407
Equip & Water System: Vehicles		210,754
Bond Issuance Cost		42,698
Accumulated Amortization Depreciation		(16,174)
Accumulated Depreciation-Equipment and Water System		(3,833,705)
Accumulated Depreciation-Office & Shop Building		(66,917)
Accumulated Depreciation- Office Equipment		(22,284)
Accumulated Depreciation-Vehicles		(173,736)
NET CAPITAL ASSETS	$	2,134,050
TOTAL ASSETS	$	2,758,292
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Aflac Payable	$	53
Accounts Payable		0
Payroll Liabilities		0
Sales Tax Payable		340
Water Protection Payable		535
Bonds-Current Portion		35,000
Interest Payable		1,870
TOTAL CURRENT LIABILITIES	$	37,798
LONG-TERM LIABILITIES		
Bonds	$	360,000
TOTAL LONG-TERM LIABILITIES	$	360,000
TOTAL LIABILITIES	$	397,798
NET POSITION		
Invested in Capital Assets Net of Related Debt	$	1,739,050
Restricted		47,000
Unrestricted		574,444
TOTAL NET POSITION	$	2,360,494
TOTAL LIABILITIES AND NET POSITION	$	2,758,292

See accompanying notes to the financial statements

WASHINGTON CO. RURAL WATER DISTRICT #1
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021

OPERATING REVENUES		
Collection Fees	$	225
Late Penalty		5,995
Maintenance Fee		195,020
Miscellaneous		44,612
Reading Meter		120
Transfer Fees		300
Water Sales		461,024
TOTAL SALES	$	**707,296**
OPERATING EXPENSES		
Metron-Farnier. LLC-units	$	7,398
MASA		480
IDT		845
Auditing, Geologists & Legal		54,813
Chemicals		6,803
Depreciation/Amorization		103,211
Dues		666
Equipment: Mantenance/Repairs		14,035
Equipment: Machinery Use on New Lines		0
Equipment: Fuel		1,598
Insurance		41,099
Leak Reporting		190
Lease		4,550
Meeting Expense		8,740
Mileage		70
Miscellaneous Expense		415
Office Expense		15,408
Payroll Expenses (Tax, KPERS)		25,594
Postage		574
Preventative Maintenance		376
Pump Reading		960
Radio Expense		3,327
Repairs & Maintenance: Mowing		5,175
Repairs & Maintenance: Other		30,680
Salaries		183,886
Supllies		2,545
Shop Expense		245
Tank Maintenance		5,500
Taxes: Clean Drinking Water Fee		2,764
Truck Expense		9,795
Utilities: Electricity		43,006
Utilities: Propane		1,142
Utilities: Telephone: Darrell's Cell		911
Utilities: Telephone: Office		2,188
Utilities: Trash		220
Utilities: Water & Sewer		500
Water Testing		2,303
TOTAL OPERATING EXPENSES	$	**582,012**
NET INCOME FROM OPERATIONS	$	**125,284**
OTHER INCOME (EXPENSE)		
Farm	$	4,500
Farm Taxes & Repairs		(1,381)
Interest Expense		(7,874)
Interest Income: Citizens State Bank		5,775
Interest Income: Other		4,958
TOTAL OTHER INCOME (EXPENSE)	$	**5,978**
INCOME BEFORE CONTRIBUTIONS	$	**131,262**
CAPITAL CONTRIBUTIONS, ADJUSTMENT/BENEFIT UNIT		24,142
CHANGE IN NET POSITION		155,404
NET POSITION, BEGINNING OF PERIOD		**2,205,090**
NET POSITION, END OF PERIOD		**2,360,494**

See accompanying notes to the financial statements

WASHINGTON CO. RURAL WATER DISTRICT #1
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts From Customers	$ 707,296
Other receipts farm	4,500
Cash payments for goods and services	(482,937)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITES	**228,859**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITES	
Cash payments for equipment, well field, intangible bond setup, etc.	(254,253)
Cash Paid For Interest	(7,874)
Cash received bond refinance	0
Cash received for equity adjustment, benefit unit	23,400
Cash payments for retiring bond debt	(35,000)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITES	**(273,727)**
CASH FLOWS FROM INVESTING ACTIVITES	
Interest received	10,733
NET CASH PROVIDED (USED) BY INVESTING ACTIVITES	**10,733**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(34,135)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	**502,770**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**$ 468,635**

See accompanying notes to the financial statements

WASHINGTON CO. RURAL WATER DISTRICT #1
STATEMENT OF CASH FLOWS - CONTINUED
Year Ended December 31, 2021

RECONCILATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	$	
Operating income (loss)		125,284
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation		103,211
Change in assets and liabilities:		
(increase) decrease in accounts receivable		(1,738)
(increase) decrease in other receivable		0
(increase) decrease in prepaid insurance		(3,617)
(increase) decrease in prepaid expenses		5,862
(increase) decrease in inventory		2,545
increase (decrease) in equity accounts		3,861
increase (decrease) in accounts/interest payable		(6,549)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITES	**$**	**228,859**

See accompanying notes to the financial statements

RURAL WATER DISTRICT NO. 1
WASHINGTON COUNTY, KANSAS
Hanover, Kansas

NOTES TO FINANCIAL STATEMENTS
December 31, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Entity: Rural Water District No. 1, Washington County, Kansas (the District) is a water utility that provides service for domestic, agricultural, and other purposes to rural customers. The district was organized under Kansas law as a quasi-municipal corporation. The District's purpose 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 to owners and occupants of land located within the District.

Summary of Significant Accounting Policies: *Basis of Presentation and Accounting* – The District's financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. The District has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply applicable GASB pronouncements, including GASB Statement No. 34, as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins, unless these pronouncements conflict with or contradict GASB pronouncements.

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net position, revenues, and expenses.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included in the Statement of Net Position. Net position (i.e. total assets net of total liabilities) are segregated into invested capital assets, net of related debt; restricted for debt service; and unrestricted components.

Management of the District has made certain estimates and assumptions relating to the reporting of assets, liabilities, revenues, and expenses to prepare these financial statements in conformity with generally accepted accounting principles. Actual results may differ from those estimates.

Accounts Receivable and Unbilled Revenue – The District utilizes cycle billing and accrues an estimated amount of revenues for sales unbilled at the end of each reporting period. The unbilled amount plus any amounts billed to customers but not yet received by The District is recorded as accounts receivable and water sales. All accounts receivable as of December 31, 2020 are considered collectible with a balance of $8,364.

Inventories – Inventories consist primarily of meters, pipe and line maintenance material. Inventories are stated at the lower of cost or market. Cost is determined using the average cost method. As the materials are used, they are charged to the property or capitalized appropriately. The amount of inventory on the books for 2020 is $112,293 and $109,748 for 2021.

Property and Equipment – The cost of additions to the District's plant, distribution system and other assets with an estimated useful life in excess of two years are capitalized. Cost includes materials, outside services and if applicable, interest on borrowed funds to finance construction. The District capitalized $254,253 during the fiscal year 2021. The cost

and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the non-operating section of the statement of revenues, expenses, and changes in net position. Please refer to Table 1 for breakdown of capital assets and useful lives information.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

Debt Issue Costs – Costs related to the issuance of debt are amortized under the straight-line method over the life of the bonds.

Income Taxes – The District is a quasi-governmental unit, not subject to federal or state income taxes.

Capital Contributions – Transmission and distribution system assets contributed to the District are capitalized at the members' costs, which approximate fair value, and recorded as capital contributions when received. Benefit units, currently $23,400, are recorded as contributions when received.

Net Position – Net position comprise the various net earnings from operating income, non-operating 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 in 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."

RURAL WATER DISTRICT NO. 1
WASHINGTON COUNTY, KANSAS
Hanover, Kansas

NOTES TO FINANCIAL STATEMENTS
December 31, 2021

Cash and Equivalents/ Investments: Cash includes all monies in the bank and highly liquid investments with maturity dates of less than three months. The carrying value of cash approximates fair value because of the short maturities of those instruments. Investments are stated at cost and consist of certificates of deposit which have an original maturity date longer than three months. All investments are in financial institutions insured by the FDIC. Investments in excess of $250,000 FDIC insurance are collaterized with bank instruments.

A breakdown of cash and investments:

Citizens State Bank	$46,592
Citizens State Bank CD	$421,327
Petty Cash	$160
Total	$468,635 carrying amount of deposits

Accounts Payable: The carrying amount of accounts payable at the end of the year was $928.

Fair Value of Financial Instruments: "Disclosure about Fair Value of Financial Instruments," requires certain disclosures regarding the fair value of financial instruments. Cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, as shown in the financial statements at fair value because of the short-term maturity of these instruments, (which is also their carrying value.)

The Statement of Cash Flows was prepared with the Direct Method and a reconciliation of net income to net cash provided by operating activities has been provided.

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. The District distinguishes between operating and non-operating revenues and expenses in its Statement of Revenues, Expenses and Changes in Net Position. For this purpose, the District's operating revenues result from providing water to the benefit units on the grid, as well any fees associated with providing this. Operating expenses include the cost attributed to administration, client services, utilities, maintenance and operations and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

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 purchases commercial insurance. During the year ended December 31, 2021 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.

Prepaid balances are for payments made by the District in the current year to provide services occurring in the subsequent fiscal year and include but are not limited to fuel, prepaid insurance, engineering fees, etc.

Investment Income: Investment Income for the year ended December 31, 2021 was $10,733, which was all interest on bank deposits.

Revenues/Expenses: The major categories of revenue and expense items, water sales and activities, operating expenses,

administrative expenses, etc. are shown separately on the face of the Statement of Revenues, Expenses and Changes in Fund Net Position.

Bond Payable: Please Refer to Management Discussion and Analysis and Table 2 for more information pertaining to Bond Issuance.

GASB 40 Disclosures

Custodial Credit Risk-This is the risk that in the event of a failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are held by the counterparty. All of the District's investments are held in the name of the District. The District is not subject to custodial credit risk as the deposits are covered by depository insurance.

Credit Risk- This is risk that an investment will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The District's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities.

Interest Rate Risk- As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment portfolio to short term investments. At year end, the District's deposits and investments were all invested in such accounts, and in fact are all current and liquid.

Concentration of Credit Risk-The entity is not subject to this risk even though all of its deposits are with the same banking institution because they are guaranteed through FDIC insurance. The balance of deposits in the bank are below the federal limit of $250,000.

Bond Reserve Account: Kansas Department of Health and Environment requires a 10% reserve account of the issuance of the bond. That amount is $47,000 and is shown as a restricted asset.

Use of Restricted/Unrestricted Net Assets: When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy is to apply restricted assets first.

Net revenues of the District have been pledged as security for the debt, and the District is required to have net revenues, as defined in the debt agreements, in each year of at least 125% of that year's principal and interest payment requirements. This requirement was met for the year ended December 31, 2021.

Defined Benefit Pension Plan

Plan description. The (non-school municipality) participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first

employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate was 8.87% for the fiscal year ended December 31, 2021. Contributions to the pension plan from (non-school municipality) were $10,517 for the year ended December 31, 2021.

Net Pension Liability
At December 31, 2021, the (non-school municipality)'s proportionate share of the collective net pension liability reported by KPERS was $159,670. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020, which was rolled forward to June 30, 2021. The (non-school municipality)'s proportion of the net pension liability was based on the ratio of the (non-school municipality)'s contributions to KPERS, relative to the total employer and non employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement. The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at www.kpers.org or can be obtained as described above.

Litigation: There is no pending litigation noted for the District as of the date the audit report was issued.

Subsequent Events: The financial statements considered subsequent events through February 14, 2022 the date the financial statements were available to be issued as management reviewed events through aforementioned date.

Compliance with Kansas Statutes: References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and legal representatives of the Water District. There were no apparent statutory violations during the year ended December 31, 2021.

Table 1

ASSET	LIFE
Buildings	33-50 Years
Water Transmission/Distribution System	33-40 Years
Equipment	6-10 Years
Vehicles	5 Years

2020 YEAR END	COST	ACCUMULATED DEPRECIATION	COST LESS DEPRECIATION
Equipment & Water Systems/Well Field/River Crossing	5,462,213	(3,746,904)	1,715,309
Land & Easements	85,517	0	85,517
Office & Shop Building	193,029	(63,056)	129,973
Office Furniture & Equipment	22,408	(22,199)	209
Vehicles	186,749	(163,407)	23,342
Bond Issuance Cost	42,698	(14,039)	28,659
TOTAL	$ 5,992,614	$ (4,009,605)	$ 1,983,009

2021 YEAR END	COST	ACCUMULATED DEPRECIATION	COST LESS DEPRECIATION
Equipment & Water Systems/Well Field/River Crossing	5,690,236	(3,833,706)	1,856,530
Land & Easements	87,742	0	87,742
Office & Shop Building	193,029	(66,917)	126,112
Office Furniture & Equipment	22,408	(22,284)	124
Vehicles	210,754	(173,736)	37,018
Bond Issuance Cost	42,698	(16,174)	26,524
TOTAL	$ 6,246,867	$ (4,112,817)	$ 2,134,050

WASHINGTON COUNTRY RURAL WATER DISTRICT NO. 1 - HANOVER, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

Table 2

STATEMENT OF CHANGES IN LONG - TERM DEBT

Issue	Interest Rate	Amount of Issue	Date of Final Maturity	Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
Revenue Bond Series A 2019	1.4-2.1%	$ 470,000	10/1/2030	$ 430,000	$ 0	$ -$35,000	$ -$35,000	$ $395,000	$ $7,874

Schedule of Payments	2022	2023	2024	2025	2026	2027-2030
	$35,000	$40,000	$40,000	$40,000	$45,000	$195,000

Total Remaining **$395,000**

	2020	2021
Total Paid	$40,000	$35,000

Total Paid **$75,000**