RICE COUNTY RURAL WATER DISTRICT #1

Financial Statements With Independent Auditors' Report

For the Years Ended December 31, 2023 and 2022

RICE COUNTY RURAL WATER DISTRICT #1
Financial Statements With Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022

TABLE OF CONTENTS

Independent Auditors' Report 1

Management's Discussion and Analysis 3

Statements of Net Position 6

Statements of Revenues, Expenses and Change in Net Position 8

Statements of Cash Flows 9

Notes to the Financial Statements 10

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Rice County Rural Water District #1
Little River, Kansas

Opinion

We have audited the accompanying financial statements of the business-type activities of **Rice County Rural Water District #1**, 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 as listed in the table of contents.

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 **Rice County Rural Water District #1** as of December 31, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Rice County Rural Water District #1**, 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 opinions.

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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one

resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is 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 GAAS, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We 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 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.

Adams Brown, LLC

ADAMSBROWN, LLC
Certified Public Accountants
Great Bend, Kansas

September 9, 2024

The discussion and analysis of **Rice County Rural Water District #1's** financial performance provides an overview of the District's financial activities for the years ended December 31, 2023 and 2022. Please read in conjunction with the District's financial statements which begin after this section.

Reporting of the District

Our analysis of the District begins on page 6. One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of the year's activities?" The statements of net position, statements of revenues, expenses and change in net position and statements of cash flows report information about the District's activities that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These statements report the District's net position and changes in it. The District's net position, the difference between assets and liabilities, is a way to measure the District's financial health and financial position. Increases and decreases in the District's net position are one indicator of whether financial health is improving or deteriorating.

FINANCIAL STATUS AND HIGHLIGHTS

Current Year Results

Operating revenues increased slightly in 2023 as compared to 2022, which is attributed to an increase in the number of gallons sold and an increase in addition of new service connections between the two years. Operating expenses remained consistent over the prior year.

Discussion of Basic Financial Statements

The District's only business-type fund is the proprietary fund, which is shown in this report. The financial statements provide detailed information which shows how money flows in and out of this fund and the balance left available for spending. This information helps to determine whether or not more or fewer financial resources can be spent in the near future to finance the District's activities.

The statements of net position reflect assets owned and liabilities owed at December 31, 2023 and 2022. The difference between total assets and total liabilities is referred to as net position.

The statements of revenues, expenses and change in net position reflect operating revenues, operating and maintenance expenses, interest income, interest expense and all other changes to net position for the years ended December 31, 2023 and 2022.

The statements of cash flows reflect cash provided by or used in operating activities, capital and related financing activities, and investing activities for the years ended December 31, 2023 and 2022. The statements also disclose cash paid for interest at December 31, 2023 and 2022.

Other Financial Matters

The District's purpose is to provide water to the users in the water district. Expenses include debt service and operating expenses. The financial position at the end of the year, based upon the District's established purpose, was primarily as planned.

Debt Administration

At year end, the Series C, 2012 revenue bonds had an outstanding amount of $365,000 and $430,000, respectively, for 2023 and 2022. The debt is more fully described in Note 9 of the audited financial statements.

Capital Assets

At the end of 2023 and 2022, the District had $1,581,906 and $1,631,256, respectively, invested in capital assets net of depreciation.

Figure 1 – Capital Assets

		2023	2022
Distribution System	$	**2,841,925**	2,812,272
Water Tower		**378,600**	378,600
Building		**72,361**	69,369
Fence		**8,565**	8,565
Transportation and Field Equipment		**107,549**	140,242
Office Equipment and Furniture		**44,209**	38,959
Accumulated Depreciation		**(1,871,303)**	(1,816,751)
Net Capital Assets	$	**1,581,906**	1,631,256

Comparative Financial Reports

The following figures present abbreviated comparative information in the District's statements of net position at December 31, 2023 and 2022 and summaries of activities for the years then ended.

Figure 2 – Net Position

		2023	2022
Cash	$	**778,696**	682,082
Accounts Receivable		**38,615**	33,485
Inventory		**2,502**	2,501
Capital Assets, Net		**1,581,906**	1,631,256
Total Assets	$	**2,401,719**	2,349,324
Accounts Payable	$	**12,812**	7,244
Accrued Expenses		**9,014**	9,381
Current Portion of Liabilities		**70,000**	60,000
Noncurrent Portion of Liabilities		**295,000**	370,000
Total Liabilities		**386,826**	446,625
Net Position		**2,014,893**	1,902,699
Total Liabilities and Net Position	$	**2,401,719**	2,349,324

Figure 3 – Revenues, Expenses and Change in Net Position

		2023	2022
Operating Revenues	$	**332,523**	292,598
Operating Expenses		**(431,144)**	(369,942)
Net Operating Loss		**(98,621)**	(77,344)
Nonoperating Revenues (Expense)			
Debt Reduction Fees		**205,132**	203,118
Gain from Sale of Assets		**17,006**	-
Interest Income		**1,835**	997
Interest Expense		**(13,158)**	(14,783)
Net Nonoperating Revenues (Expense)		**210,815**	189,332
Change in Net Position		**112,194**	111,988
Net Position – Beginning of Year		**1,902,699**	1,790,711
Net Position – End of Year	$	**2,014,893**	1,902,699

Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances. The report is also designed to show the District's accountability for the money it receives.

Further questions concerning this report or the financial status of **Rice County Rural Water District #1** should be directed to the District's chairman at PO Box 266, Little River, Kansas 67457.

Rice County Rural Water District #1

RICE COUNTY RURAL WATER DISTRICT #1
Statements of Net Position
Proprietary Fund
December 31, 2023 and 2022

ASSETS

		2023	2022
Current Assets			
Cash	$	**434,487**	362,921
Accounts Receivable		**38,615**	33,485
Inventory		**2,502**	2,501
Total Current Assets		**475,604**	398,907
Noncurrent Assets			
Restricted Cash		**344,209**	319,161
Capital Assets			
Distribution System		**2,841,925**	2,812,272
Water Tower		**378,600**	378,600
Building		**72,361**	69,369
Fence		**8,565**	8,565
Transportation Equipment		**53,298**	85,991
Field Equipment		**54,251**	54,251
Office Equipment		**34,017**	28,767
Office Furniture		**10,192**	10,192
Accumulated Depreciation		**(1,871,303)**	(1,816,751)
Net Capital Assets		**1,581,906**	1,631,256
Total Noncurrent Assets		**1,926,115**	1,950,417
Total Assets	$	**2,401,719**	2,349,324

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

RICE COUNTY RURAL WATER DISTRICT #1
Statements of Net Position
Proprietary Fund
December 31, 2023 and 2022

LIABILITIES AND NET POSITION

		2023	2022
Current Liabilities Payable From Current Assets			
Current Portion of Long-Term Debt	$	**70,000**	60,000
Credit Cards Payable		**803**	644
Accounts Payable		**12,812**	7,244
Payroll Taxes Payable		**1,777**	1,981
Sales Tax Payable		**391**	384
Water Protection and Clean Drinking Water Fees Payable		**618**	605
Feasibility Deposits		**1,400**	1,200
Accrued Interest Payable		**4,025**	4,567
Total Current Liabilities Payable From Current Assets		**91,826**	76,625
Noncurrent Liabilities			
Bonds Payable, Net of Current Portion		**295,000**	370,000
Total Liabilities		**386,826**	446,625
Net Position			
Invested in Capital Assets, Net of Related Debt		**1,216,906**	1,201,256
Restricted			
Bond Covenant		**82,800**	82,800
Unrestricted		**715,187**	618,643
Total Net Position		**2,014,893**	1,902,699
Total Liabilities and Net Position	$	**2,401,719**	2,349,324

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

RICE COUNTY RURAL WATER DISTRICT #1
Statements of Revenues, Expenses and Change in Net Position
Proprietary Fund
For the Years Ended December 31, 2023 and 2022

		2023	2022
Operating Revenues			
Water Sales	$	**221,248**	226,260
Customer Water Line Setup Fees		**51,681**	58,589
Federal Aid		**48,509**	-
Miscellaneous Income		**6,509**	2,627
Late Payment Fees		**4,576**	5,122
Total Operating Revenues		**332,523**	292,598
Operating Expenses			
Water and Electricity		**157,386**	114,084
Personnel		**83,704**	95,171
Depreciation		**81,251**	75,227
Other Operating Expenses		**108,803**	85,460
Total Operating Expenses		**431,144**	369,942
Net Operating Loss		**(98,621)**	(77,344)
Nonoperating Revenues (Expense)			
Debt Reduction Fees		**205,132**	203,118
Gain from Sale of Asset		**17,006**	-
Interest Income		**1,835**	997
Interest Expense		**(13,158)**	(14,783)
Net Nonoperating Revenues (Expense)		**210,815**	189,332
Change in Net Position		**112,194**	111,988
Net Position - Beginning of Year		**1,902,699**	1,790,711
Net Position - End of Year	$	**2,014,893**	1,902,699

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

RICE COUNTY RURAL WATER DISTRICT #1
Statements of Cash Flows
Proprietary Fund
For the Years Ended December 31, 2023 and 2022

		2023	2022
Cash Flows From Operating Activities			
Cash Received From Customers	$	**327,593**	291,866
Cash Paid to Suppliers		**(260,646)**	(209,448)
Cash Paid to Employees		**(83,704)**	(94,893)
Net Cash Used by Operating Activities		**(16,757)**	(12,475)
Cash Flows From Capital and Related Financing Activities			
Purchase and Construction of Capital Assets		**(37,896)**	(85,599)
Proceeds From Sale of Assets		**23,000**	-
Interest Paid		**(13,700)**	(15,324)
Principal Paid on Note Obligation		**(65,000)**	(65,000)
Debt Reduction Fees Collected		**205,132**	203,118
Net Cash Provided by Capital and Related Financing Activities		**111,536**	37,195
Cash Flows From Investing Activities			
Interest Received		**1,835**	997
Net Increase in Cash		**96,614**	25,717
Cash - Beginning of Year		**682,082**	656,365
Cash - End of Year	$	**778,696**	682,082
Composition of Cash			
Cash	$	**434,487**	362,921
Restricted Cash		**344,209**	319,161
Cash - End of Year	$	**778,696**	682,082
Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities			
Net Operating Loss	$	**(98,621)**	(77,344)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities			
Depreciation		**81,251**	75,227
(Increase) Decrease in			
Accounts Receivable		**(5,130)**	(531)
Employee Receivable		**-**	278
Inventory		**-**	(1)
Increase (Decrease) in			
Credit Cards Payable		**159**	186
Accounts Payable		**5,568**	(10,567)
Accrued Liabilities		**16**	277
Net Cash Used by Operating Activities	$	**(16,757)**	(12,475)

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of **Rice County Rural Water District #1** is presented to assist in understanding the District's financial statements. The financial statements and notes to the financial statements are representations of the District's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles applicable to state and local governments.

Financial Reporting Entity

Rice County Rural Water District #1 (District), Little River, Kansas, is organized as a quasi-municipal corporation under Kansas statutes K.S.A. 82a-612, for the purpose of constructing and operating a water supply distribution system serving owners and occupants of land located within the District, and is not subject to federal or Kansas income tax. There are no component units or oversight units.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Basis of Accounting, Financial Statement Presentation, and Measurement Focus

For financial reporting purposes, the District is engaged only in business-type activities. Accordingly, the District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of the District are included in the statement of net position. The statement of revenues, expenses and change in net position presents increases and decreases in total net position. Under the accrual basis of accounting revenues are recorded when earned, and expenses are recorded when a liability is incurred. Revenues are recognized as soon as they are both measurable and available.

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected by the end of the year. Expenditures are recorded when the related liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The accounting records of the District are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The District applies all statements issued by the Government Accounting Standards Board (GASB). The District uses a single proprietary fund to account for and report its financial activities, which is limited to *business-type* activities – i.e., activities that are financed in whole or in part by fees charged to external parties and are operated in a manner similar to private business where the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations, which for the District is water distribution. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The District had only one proprietary fund through December 31, 2023 and 2022.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as needed.

Budget
The District is not subject to the legal annual operating budget requirements, but is controlled by the use of an internal budget established by the governing body. As the District is not subject to these requirements, comparison to budget has been waived in the financial statements.

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 funds have a main bank or branch 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 investments 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 K.S.A. 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 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%. The District does not use "peak periods". All deposits were legally secured at December 31, 2023 and 2022.

At December 31, 2023 and 2022, the District's carrying amounts of deposits were $778,696 and $682,082, respectively, and the bank balances were $760,107 and $682,111, respectively, the difference being outstanding checks and deposits. The bank balances at December 31, 2023 and 2022 were held by one bank. Of the 2023 bank balance, $250,000 was covered by federal depository insurance and $510,107 was collateralized with securities held by the pledging financial institutions' agents in the District's name. Of the 2022 bank balance, $250,000 was covered by federal depository insurance and $432,111 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

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. The District had no investments at December 31, 2023 and 2022.

Inventory
Inventory is stated at cost on a first-in, first-out basis. Inventory consists of water to be sold to customers.

Restricted Assets
The construction/line extension account consists of amounts contributed by incoming patrons to cover the cost for water line extensions necessary to provide them service. The expense of construction is then paid from this account as necessary. The balance fluctuates according to the size and number of projects in existence at any given time. The construction account balances were $202,619 and $179,511 at December

31, 2023 and 2022, respectively. The District has other cash restricted for the purpose of bond payments, which was $140,822 and $138,882 at December 31, 2023 and 2022, respectively. The District has other cash restricted for the purposes of Kansas unemployment payments, which was $768 at December 31, 2023 and 2022. Total cash restricted by the District was $344,209 and $319,161 at December 31, 2023 and 2022, respectively.

Cash
For the purpose of the statements of cash flows, the District considers all unrestricted, highly liquid deposits with original maturities of twelve months or less, as well as restricted cash balances, as cash, which consists of the District's checking accounts, money market account and certificates of deposit.

Accounts Receivable
Accounts receivable are amounts due from customers. All water meters are master-read by the District's operator prior to the end of the fiscal year. The adjustments are reflected in the year end balances. There is no allowance for doubtful accounts used because the District deems all accounts receivable collectible.

Prepaid Expenses
Payments made to vendors for goods or services that will benefit periods beyond the date of this report are recorded as prepaid expenses.

Net Position
Net position is the difference between assets and liabilities. The District's net position is classified as follows:

a. *Invested in capital assets, net of related debt:* This represents the District's total investment in capital assets, net of related debt obligations related to those capital assets.

b. *Restricted net position – expendable:* Restricted expendable net position includes resources that have legal limitations that are imposed on their use by legislation or external restrictions by creditors or grantors to indicate that their use is limited as stipulated by contract. The District's bond reserve trust accounts are classified as restricted net position.

c. *Unrestricted net position:* Unrestricted net position represents resources that does not meet the definition of "restricted" or "invested in capital assets, net of related debt". These resources are used for transactions relating to the operations of the District and may be used at the discretion of the governing body to meet current expenses for any lawful purpose.

Operating Revenues
The District's rates are established by the Board of Directors. The District sells water to members at established rates.

NOTE 2 - CAPITAL ASSETS

The cost of additions to the distribution system, tower, and equipment is capitalized. Capital assets are recorded at cost.

Capital assets are defined by the District as assets or group of assets that have an estimated useful life in excess of three years and cost $500 or more. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset lives is not capitalized. The sale or disposal of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation expense is computed using the straight-line method based on estimated service lives. Depreciation expense for the years ended December 31, 2023 and 2022 was $81,251 and $75,227, respectively. Estimated useful lives for equipment and lines are 5 to 50 years.

A summary of changes in fixed assets is a follows:

	Balance 12/31/2022	Increases	Decreases	**Balance 12/31/2023**
Water Tower	$ 378,600	-	-	**378,600**
Fence	8,565	-	-	**8,565**
Building	69,369	2,992	-	**72,361**
Transportation Equipment	85,991	-	32,693	**53,298**
Field Equipment	54,251	-	-	**54,251**
Office Equipment	28,767	5,250	-	**34,017**
Office Furniture	10,192	-	-	**10,192**
Distribution System	2,812,272	29,653	-	**2,841,925**
Total Capital Assets	3,448,007	37,895	32,693	**3,453,209**
Accumulated Depreciation	(1,816,751)	(81,251)	(26,699)	**(1,871,303)**
Capital Assets, Net of Accumulated Depreciation	$ **1,631,256**	**(43,356)**	**5,994**	**1,581,906**

	Balance 12/31/2021	Increases	Decreases	Balance 12/31/2022
Water Tower	$ 378,600	-	-	378,600
Fence	8,565	-	-	8,565
Building	69,369	-	-	69,369
Transportation Equipment	32,693	53,298	-	85,991
Field Equipment	47,024	7,227	-	54,251
Office Equipment	28,767	-	-	28,767
Office Furniture	10,192	-	-	10,192
Distribution System	2,787,198	25,074	-	2,812,272
Total Capital Assets	3,362,408	85,599	-	3,448,007
Accumulated Depreciation	(1,741,524)	(75,227)	-	(1,816,751)
Capital Assets, Net of Accumulated Depreciation	$ 1,620,884	10,372	-	1,631,256

NOTE 3 - COMPENSATED ABSENCES

The District operator is allocated paid time off for vacation and/or holidays. Payment in lieu of vacation and carry over of vacation is not permitted. Vacation is not payable upon termination and unused vacation does not carry over to the next year. Employees receive no sick leave. As a result, no accrued compensated absences existed at December 31, 2023 or 2022.

NOTE 4 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; damage to and destruction of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than related to employee health benefits. Settled claims have not exceeded this commercial coverage in any of the three preceding years. There have not been significant reductions in coverage from prior years.

NOTE 5 - MAJOR SUPPLIER

All of the District's water is purchased from the City of Lyons, Kansas. The contract expires June 15, 2032, and is renewable at that time.

NOTE 6 - LITIGATION

The District is party to various legal proceedings which normally occur in governmental operations. These proceedings are not likely to have a material financial impact on the affected fund of the District.

NOTE 7 - ENVIRONMENTAL ISSUES

The District's operation of the water distribution services poses a potential risk for environmental remediation liabilities. The operator of the facility has indicated that the District has not violated environmental laws.

NOTE 8 – DEBT RESTRICTIONS AND COVENANTS

Net Operating Revenue Requirements
Rice County Rural Water District #1 entered into an agreement with the Kansas Rural Water Finance Authority to issue bonds in the amount of $1,060,000 for the purpose of refinancing certain debt obligations. The agreement requires that the District provide for the repayment of this bond by producing revenues sufficient to pay the cost of the operation and maintenance of the system; pay the principal of and interest on the bonds and all parity obligations as and when the same become due; enable the District to have in each fiscal year net revenues in an amount that will enable the District to have a debt service ratio of not less than 1.25 on all bonds and parity obligations at the time outstanding; and provide reasonable and adequate reserves for the payment of the bonds and interest thereon and for the protection and benefit of the system of the District. The debt service ratios were as follows:

	2023		2022	
Revenues	$ **537,655**		$ 495,716	
Expenses	**(349,893)**		(294,715)	
Net Revenues		**187,762**		201,001
Maximum Amount of Principal and Interest	**82,075**		73,700	
Net Revenues Required		**82,075**		73,700
Excess		$ **105,687**		$ 127,301
Debt Service Ratio (Net Revenues/Net Revenues Required)		**2.29**		2.73

NOTE 9 - LONG-TERM LIABILITIES

On June 1, 2012, the District issued $1,060,000 in Water Finance Authority Revenue Bonds - Series C, 2012 for the purpose of providing funds for refunding the $1,017,754 Farmers Home Administration note.

Long-term debt activity for the year ended December 31, 2023 was as follows:

	Outstanding December 31, 2022	Additions	Reductions	Outstanding December 31, 2023	Current Portion	Interest Paid
Business-Type Activities:						
Revenue Bond						
Series C, 2012	$ 430,000	-	65,000	365,000	70,000	13,700

Long-term debt activity for the year ended December 31, 2022 was as follows:

	Outstanding December 31, 2021	Additions	Reductions	Outstanding December 31, 2022	Current Portion	Interest Paid
Business-Type Activities:						
Revenue Bond						
Series C, 2012	$ 495,000	-	65,000	430,000	60,000	15,324

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

Years Ended December 31		Principal	Interest	Total
2024	$	70,000	12,075	82,075
2025		70,000	9,975	79,975
2026		70,000	7,875	77,875
2027		75,000	5,425	80,425
2028		80,000	2,800	82,800
Total	$	**365,000**	**38,150**	**403,150**

NOTE 10 – MEMBERSHIP SETUP FEES

The District receives applications for new service from individuals and businesses in Rice County. During the monthly board meetings, these applications are reviewed and voted on. If an application is approved, the individual or business pays a $4,500 membership fee and pays for construction costs related to the installation of the new service. These fees are non-reimbursable. Total customer water line setup fees were $51,681 and $58,589 at December 31, 2023 and 2022, respectively.