RURAL WATER DISTRICT NUMBER 8
Leavenworth County, Kansas

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2021 and 2020

RURAL WATER DISTRICT NUMBER 8
Leavenworth County, Kansas

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rural Water District Number 8
Leavenworth County, Kansas

Report on Financial Statements
We have audited the accompanying financial statements of Rural Water District Number 8, Leavenworth County, Kansas, which comprise the statement of net position as of December 31, 2021 and 2020 and the related statements of revenues, expenses and changes in net position and the statement of cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparations and fair presentation of the financial statements in accordance with the accounting principles generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's judgment, including the assessment of 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 preparations 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 controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement

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

Opinion
In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Rural Water District Number 8, Leavenworth County, Kansas as of December 31, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Rural Water District Number 8, Leavenworth County, Kansas, has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

INPACT
INTERNATIONAL NETWORK OF PROFESSIONAL ACCOUNTANTS
AFFILIATE

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as noted in the table of contents taken as a whole. The schedule of statistical information (Schedule 1 listed in the table of contents) is presented for analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statements itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole, in accordance with accounting principles generally accepted in the United States of America.

Harold K. Mayes Jr CPA
Agler & Gaeddert, Chartered
Ottawa, Ks.
March 2, 2022

RURAL WATER DISTRICT NUMBER 8
Leavenworth County, Kansas
STATEMENTS OF NET POSITION
December 31,

ASSETS

	2021	2020
CURRENT ASSETS		
Cash	$ 163,824	$ 182,589
Certificates of Deposit - due in one year	985,687	974,203
Accounts Receivable	49,785	49,480
Inventory	6,792	6,792
Prepaid Insurance	5,025	4,757
Total Current Assets	1,211,113	1,217,821
CERTIFICATES OF DEPOSIT	1,579,595	1,542,477
PROPERTY, PLANT AND EQUIPMENT		
Rural Water System	2,337,476	2,160,373
Land	46,768	42,343
Buildings	67,424	67,424
Water Tower	433,863	433,863
Administrative Equipment	24,436	24,436
Vehicle	42,600	42,600
Other Equipment	8,929	8,929
	2,961,496	2,779,968
Less: Accumulated Depreciation	(1,726,603)	(1,679,334)
Total Property Plant and Equipment	1,234,893	1,100,634
Total Assets	$ 4,025,601	$ 3,860,932

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts Payable	$ 15,770	$ 16,091
Advances Received for Emerald Estates	81,200	0
Advances Received for Line Installation	2,500	0
Total Current Liabilities	99,470	16,091
NET POSTION		
Invested in Capital Assets, Net of Related Debt	1,234,893	1,100,634
Unrestricted	2,691,238	2,744,207
Total Net Position	3,926,131	3,844,841
Total Liabilities and Net Position	$ 4,025,601	$ 3,860,932

The accompanying notes are an integral part of these statements.

RURAL WATER DISTRICT NUMBER 8
Leavenworth County, Kansas

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31,

	2021	2020
OPERATING REVENUES		
Water Sales	$ 467,027	$ 470,715
Refunds - (Expense)	(163)	(118)
Late Charges	10,110	9,330
Total Operating Income	476,974	479,927
Cost of Water Purchases	177,617	184,669
Gross Profit	299,357	295,258
OPERATING EXPENSES		
Salaries	169,889	162,776
Payroll Taxes	13,782	13,047
Bad Debts	0	34
Professional Fees	19,092	9,426
Insurance & Bonding	14,297	9,288
Utilities	9,997	8,122
Easement	24	0
Mailing & Postage	4,932	2,634
Internet	2,412	2,532
Office Expense	3,848	4,062
Office Expenses - Copier, Toner and Parts	367	313
Telephone	1,219	1,285
Bank Charges & Fees	0	60
Board Meetings	669	984
Electronic Payment Expense - Credit	7,704	5,364
Electronic Payment Expense - ACH	952	2,052
Water Analysis	1,310	715
Kansas One Call Expense	664	382
Mileage	1,706	1,724
Water Protection/Cleaning Drinking Water Tax	4,321	4,165
Real Estate Taxes	655	587
Repairs & Maintenance	60,114	67,698
Pickup Gas	3,091	2,354
Pickup Repair	2,717	4,055
Pickup License	0	31
Contributions	150	0
Dues & Memberships	864	0
Miscellaneous Expense	1,045	0
Depreciation	47,269	42,795
Total Operating Expenses	373,090	346,485
Total Operating Income (Loss)	(73,733)	(51,227)

The accompanying notes are an integral part of these statements.

RURAL WATER DISTRICT NUMBER 8
Leavenworth County, Kansas

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31,

	2021	2020
NON-OPERATING REVENUES (EXPENSES)		
Interest income	$ 48,613	$ 53,121
Antenna Rental	5,400	5,400
Gain (Loss) on sale of assets	0	5,513
Other -Refunds, Payments for Repairs etc. - Revenues	1,951	4,439
Total Non-Operating Income (Loss)	55,964	68,473
Net Increase (Decrease) in Net Position	(17,769)	17,246
Other Revenues and (Expenses)		
Meter line installations	30,059	23,405
Sales of benefit units	69,000	48,000
Total Other Revenues and (Expenses)	99,059	71,405
Change in Net Position	81,290	88,651
Total Net Position, Beginning of Year	3,844,841	3,756,190
Total Net Position, End of Year	$ 3,926,131	$ 3,844,841

The accompanying notes are an integral part of these statements.

RURAL WATER DISTRICT NUMBER 8
Leavenworth County, Kansas

STATEMENTS OF CASH FLOWS
For the Year Ended December 31,

	2021	2020
Cash Flows from Operating Activities		
Cash Received from Customers	$ 479,169	$ 485,610
Cash Paid to Suppliers	(320,356)	(295,483)
Cash Paid to Employees & Payroll Taxes and Benefits	(183,671)	(175,823)
Net Cash Provided by (used in) Operating Activities	(24,858)	14,304
Cash Flows Provided by (used in) Capital & Related Financing Activities		
Water Benefit Units Sold	69,000	48,000
Line Extension Reimbursements	30,059	23,405
Line Extension Advances	81,200	0
Purchases of Property and Equipment	(181,528)	(84,943)
Net Cash Provided by (used in) Financing Activities	(1,269)	(13,538)
Cash Flows from Noncapital Financing Activities		
Cash from Sale of Assets	0	13,400
Miscellaneous Non-Operating Income	7,351	9,839
Net Cash Provided by (used in) Noncapital Financing Activities	7,351	23,239
Cash Flows Provided by (used in) Investing Activities:		
Purchases of Certificates of Deposit	(48,602)	(53,100)
Interest Income	48,613	53,121
Net Cash Provided by (used in) Investing Activities	11	21
Net Increase (Decrease) in Cash and Cash Equivalents	(18,765)	24,026
Cash and Cash Equivalents, Beginning of Year	182,589	158,563
Cash and Cash Equivalents, End of Year	$ 163,824	$ 182,589
Reconciliations of Operating Income to Net Cash Provided by (used in) Operating Activities		
Operating Income (Loss)	$ (73,733)	$ (51,227)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities:		
Depreciation	47,269	42,795
Changes in Assets and Liabilities Not Current Affecting Cash:		
(Increase) Decrease in Accounts Receivable	(305)	5,683
(Increase) Decrease in Inventory	0	19,464
(Increase) Decrease in Prepaid Insurance	(268)	(3,898)
Increase (Decrease) in Accounts Payable	(321)	1,487
Increase (Decrease) in Advances for Line Installations	2,500	0
	$ (24,858)	$ 14,304

The accompanying notes are an integral part of these financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting principles consistently applied in the preparation of the accompanying financial statements are noted as follows.

1. Financial Reporting Entity

The scope of the entity for financial reporting purposes is defined as those funds for which the Rural Water District Number 8 (here in referred to as the District) is considered financially accountable. The District's financial statements include all of its operations. The District is a separately administered organization. The District has no component units. The District is a quasi-municipality governed by an elected six-member board.

2. Government-wide and Fund Financial Statements

Government-wide Financial Statements - The government-wide financial statements include the statement of net position. This statement reports financial information for the District as a whole. Individual funds are not displayed but the statements distinguish between governmental activities generally supported by taxes and general revenues (of which the District does not have any), from the business-types activities, generally financed in whole or in part with fees charged to external customers. The District is a special-purpose government engaged in a single governmental program delivery of water to customers near Leavenworth, Kansas area.

The statement of revenues, expenses and changes in net position reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities, expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services that report fees, fines and forfeitures, and other charges to users of the District's services; (2) members deposits water meters. All other revenues not properly included with program revenues or meter deposits will be reported as general revenues.

3. Measurement focus and Financial Statement Presentation

In June 1999, GASB issued Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. This statement, known as the "Reporting Model" statement, affects the way the District prepares and presents financial information.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments, including special purpose governments. The statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decision and includes:

Management's Discussion and Analysis – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the District's financial activities in the form of " management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports. The District has chosen to omit this discussion from the report.

Statement of Net Assets or Balance Sheet – This statement is designated to display the financial position of the District. Districts report all capital assets, including infrastructure. The net assets of the District will be broken down into three categories: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted.

Measurement Focus, Basis of Accounting, and Financial Statement Position – The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

NOTE A. – SUMMARY OF SINIFICANT ACCOUNTING POLICIES – continued

3. Measurement Focus and Financial Statement Presentation - continued

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The District reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The District's statements will report using the economic resources measurement focus and the accrual basis of accounting. Reimbursements are reported as reductions to expenses or capital assets. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating income reported in the financial statements includes revenues and expenses related to the primary, continuing operations of the District. Operating revenues are charges to customers for sales or services. Operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Non-operating revenues and expenses consist of gain (loss) on sales of assets, realized and unrealized gains and losses on investments, and investment income. Other revenues and expenses consist primarily of benefit units sold or refunded.

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

4. Fund Types and Major Funds

Governmental funds: The District has no governmental funds.

Business-type funds: The District has one major enterprise fund. The Water fund accounts for the operating activities of the District's water utilities services.

5. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are short term, liquid investments having original maturities of three months or less, not restricted for contingencies.

6. Accounts Receivable

The direct write-off method is used for bad debts. Accounts receivable are written off when deemed uncollectible. Accordingly, no allowance for bad debts has been recorded.

7. Inventory

Inventory consist of pipe, meters and other materials used by the District in its daily operations and is valued at cost which is based upon invoices received at the time the inventory item is paid.

8. Property, Plant and Equipment

Property, plant and equipment are reported at cost. Major improvements and betterments to existing property and equipment are capitalized. Expenditures for maintenance and repairs that do not extend the life of the applicable assets are charged to expenses as incurred. Historically, the District has received reimbursements from customers (i.e. line extensions) which are accounted for as reductions of costs.

NOTE A. – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

8. Property, Plant and Equipment - continued

Depreciation is provided on the straight-line basis over the estimated useful life of the assets as follows:

Water System	40 years
Building	40 years
Water Tower	40 years
Vehicles	7 years
Administrative equipment	5 - 10 years

9. Income Tax

The District is not subject to federal or state income taxes as a quasi-governmental unit.

10. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

11. Revenues

Operating revenues and expenses included the sale of water and the expenses associated with pumping and cleaning the water. Non-operating revenues and expenses consist of investment income and sales of assets.

12. Deferred Outflows and Inflows of Resources

The District has deferred outflows in terms of prepaid insurance and deferred inflows in terms of advances received on line extensions from customers both of which will be recognized in the following year.

NOTE B - ASSETS, LIABILITIES AND NET POSITION

1. Cash and Investments

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 or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

Custodial credit risk – 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 did not have any designated "peak periods" for the current year. All deposits were legally secured at December 31, 2021 and 2020.

At year-end, the carrying amount of the District's deposits including certificates of deposit was $2,729,106 and $2,699,269 for 2021 and 2020 respectively. The bank balances were $2,735,172 and $2,743,158 for 2021 and 2020 respectively. The difference between book and bank balance is outstanding deposits and checks. The bank balance

NOTE B. - ASSETS, LIABILITIES AND NET POSITION - continued

1. Cash and Investments – continued

was held by three banks thus reducing concentration of credit risk. Of the bank balance, $750,000 and $750,000 for 2021 and 2020 respectively was covered by FDIC insurance and $1,980,054 and $1,993,158 respectively was collateralized with securities held by the pledging financial institutions' agents in the District's name. $5,118 was unsecured.

Investments - K.S.A. 12-1675 authorizes 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. At December 31, 2021 and 2020, the District held certificates of deposit only.

2. Accounts Receivable

Accounts receivable	2021	2020
Currently due from customers	$ 49,785	$ 48,490
Receivable for line extension	0	990
	$ 49,785	$ 49,480

3. Inventories

Inventory is valued at costs and is used internally and not for resell.

Inventories	2021	2020
Pipe, couplings, fittings, meters ect.	$ 6,792	$ 6,792

NOTE B. - ASSETS, LIABILITIES AND NET POSITION - continued

4. Capital Assets are detailed as follows:

	2021			
Capital assets	Beginning Balance	Additions	Retirements	Ending Balance
Rural water system	$ 2,160,373	$ 177,103	$ 0	$ 2,337,476
Land	42,343	4,425	0	46,768
Buildings	67,424	0	0	67,424
Water tower	433,863	0	0	433,863
Administrative equipment	24,436	0	0	24,436
Vehicle	42,600	0	0	42,600
Other equipment	8,929	0	0	8,929
Totals at cost	2,779,968	181,528	0	2,961,496
Accumulated depreciation:	1,679,334	47,269	0	1,726,603
Net property, plant and equipment	$ 1,100,634	$ 134,259	$ 0	$ 1,234,893

	2020			
Capital assets	Beginning Balance	Additions	Retirements	Ending Balance
Rural water system	$ 2,168,373	$ 84,943	$ 92,943	$ 2,160,373
Land	42,343	0	0	42,343
Buildings	67,424	0	0	67,424
Water tower	433,863	0	0	433,863
Administrative equipment	24,436	0	0	24,436
Vehicle	24,072	42,600	24,072	42,600
Other Equipment	8,929	0	0	8,929
Totals at cost	2,769,440	127,543	117,015	2,779,968
Accumulated depreciation:	1,636,539	42,795	0	1,679,334
Net property, plant and equipment	$ 1,132,901	$ 84,748	$ 117,015	$ 1,100,634

There were no impairment of capital assets as described above as of December 31, 2021 or 2020.

5. Compensated Absences

The District does not pays for unused vacation.

NOTE C. - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

The District adopts an internal budget for the support and maintenance of the District.

NOTE C. - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – continued

2. Compliance with Kansas Statutes

The District is under secured at one bank by $5,118 as of December 31, 2021. In January of 2022 the under secured funds were removed from the bank and placed in another bank. Management is not aware of any other statutory violations for the years ended December 31, 2021 or 2020

NOTE D. - OTHER INFORMATION

1. 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; and natural disasters for which the District carries commercial insurance. During the last three years, claim settlements have not exceeded insurance coverage.

2. Concentrations of Risk

The District purchases 100 percent of its water from the City of Leavenworth.

3. Subsequent events

Management has evaluated events through March 2, 2022. As of the end of the year, the District has collected $81,200 from customers for extending water lines to Emerald Estates. In early 2022, the District has incurred expenses of $100,119 in the process of extending the water lines to Emerald Estates. The Directors of the District have determined that it will be necessary to replace all meters in the District, as some of the old meters are no longer sending a signal for determining water usage. The replacement of meters and their installation has been estimated to be approximately $500,000. The Directors have passed a resolution to charge an addition flat fee $10 per customer to cover the cost of the meters and their installation.

SUPPLEMENTARY INFORMATION

RURAL WATER DISTRICT NUMBER 8
Leavenworth County, Kansas

SCHEDULE OF STATISTICAL INFORMATION
For the Years Ended December 31

	2021	2020
Gallons sold	55,193,450	55,769,440
Gallons purchased	60,211,008	61,725,708
Water loss percentage	8.3%	9.6%
Number of benefit units	839	834
Average monthly water usage	5,482	5,572
Average monthly water sales per benefit unit	$ 47.38	$ 47.95
Average monthly expenses per benefit unit	$ 54.71	$ 53.07
Cash per benefit unit	$ 3,252.81	$ 3,236.53

See Independent Auditor's Report.