

**RURAL WATER DISTRICT NO. 5  
ANDERSON COUNTY, KANSAS**

Independent Auditors' Report  
and Financial Statement with  
Supplementary Information

For the Year Ended  
December 31, 2021

**RURAL WATER DISTRICT NO. 5**  
Anderson County, Kansas

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**JARRED, GILMORE & PHILLIPS, PA**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Rural Water District No. 5  
Anderson County, Kansas

***Adverse and Unmodified Opinion***

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Rural Water District No. 5, Anderson County, Kansas, as of and for the year ended December 31, 2021 and the related notes to the financial statement.

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

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse and Unmodified Opinion" section of our report, the accompanying financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Rural Water District No. 5, Anderson County, Kansas as of December 31, 2021, or changes in financial position and cash flows thereof for the year then ended.

***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of Rural Water District No. 5, Anderson County, Kansas as of December 31, 2021, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

***Basis for Adverse and Unmodified Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the Kansas Municipal Audit and Accounting Guide. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the District, 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 adverse and unmodified audit opinion.

***Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note 1 of the financial statement, the financial statement is prepared by Rural Water District No. 5, Anderson County, Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### ***Responsibilities of Management for the Financial Statement***

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

In preparing the financial statement, 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 Statement***

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 statement.

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 statement, 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 statement.
- 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 statement.
- 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.

### ***Other Matters***

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The schedule of receipts and expenditures-actual and budget- regulatory basis for each individual fund (Schedule 1 as listed in the table of contents) is presented for analysis and is not a required part of the basic financial statement, however is required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit

of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of Rural Water District No. 5, Anderson County, Kansas as of and for the year ended December 31, 2020 (not presented herein), and have issued our report thereon dated July 15, 2021, which contained an unmodified opinion on the basic financial statement. The 2020 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <https://admin.ks.gov/offices/oar/municipalservices>. The 2020 actual column (2020 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget for the year ended December 31, 2021 (Schedule 1 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2020 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2020 basic financial statement. The 2020 comparative information was subjected to the auditing procedures applied in the audit of the 2020 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2020 basic financial statement or to the 2020 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2020 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2020, on the basis of accounting described in Note 1.

#### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The schedule of costs of operations is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of costs of operations (Schedule 2 as listed in the table of contents) has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants

June 23, 2022  
Chanute, Kansas

**RURAL WATER DISTRICT NO. 5**  
Anderson County, Kansas  
Summary Statement of Receipts, Expenditures, and Unencumbered Cash  
Regulatory Basis  
For the Year Ended December 31, 2021

Funds	Beginning Unencumbered Cash Balances	Receipts	Expenditures	Ending Unencumbered Cash Balances	Add Encumbrances and Accounts Payable	Ending Cash Balance December 31, 2021
Business Funds:						
Water Utility	\$ 1,840.29	\$ 683,301.88	\$ 522,402.69	\$ 162,739.48	\$ 25,642.41	\$ 188,381.89
Water Utility Bond and Interest	35,987.50	42,212.50	78,200.00	-	-	-
Total Reporting Entity	<u>\$ 37,827.79</u>	<u>\$ 725,514.38</u>	<u>\$ 600,602.69</u>	<u>\$ 162,739.48</u>	<u>\$ 25,642.41</u>	<u>\$ 188,381.89</u>

## Composition of Cash:

Cash on Hand	\$ 100.00
Checking Account	188,312.97
Petty Cash Checking Account	<u>(31.08)</u>

Total Composition of Cash	<u>\$ 188,381.89</u>
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The notes to the financial statement is  
an integral part of this statement.

## **RURAL WATER DISTRICT NO. 5**

Anderson County, Kansas

Notes to Financial Statement  
For the Year Ended December 31, 2021

### **1. SIGNIFICANT ACCOUNTING POLICIES**

Rural Water District No. 5, Anderson County, Kansas (the District) was organized under Kansas law and provides water to rural Anderson, Allen, and Coffey counties in Kansas. Rural Water District No. 5, Anderson County, Kansas is a municipal corporation governed by an elected nine member board.

*Related Municipal Entities:* A related municipal entity is determined by the following criteria. Whether the District exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of the public service, and significant operational or financial relationships with the District. Related municipal entities are not required to be included in the District's audit by the Kansas Municipal Audit and Accounting Guide (KMAAG).

The District has determined that no outside agency meets the above criteria and, therefore, no outside agency has been included as a related municipal entity in the financial statement.

#### Regulatory Basis Fund Types

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds comprise the financial activities of the Rural Water District No. 5, Anderson County, Kansas for the year of 2021:

Business fund – funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service fund etc.)

#### Basis of Accounting

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

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

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### Income Taxes

The Rural Water District No. 5, Anderson County, Kansas, is recognized by the Internal Revenue Service as a quasi-municipal corporation, under K.S.A. 88a-616, and is exempt from Federal and state income taxes. Accordingly, this financial statement does not include a provision for income taxes.

### Reimbursed Expenses

K.S.A. 79-2934 provides that reimbursed expenditures should be recorded as reductions in expenditures rather than as receipts. In the financial statement presented in this report, reimbursements and refunds are recorded as cash receipts. The reimbursements are recorded as cash receipts when received by the District as they are often difficult to identify the exact expenditure for which they are reimbursing.

### Pension Plan

Substantially all full-time District employees are members of the State of Kansas Public Employees Retirement System, of which is a multi-employer, state-wide pension plan. The District's policy is to fund all pension costs accrued; such costs to be funded are actuarially determined annually by the State of Kansas.

## **2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### Compliance with Kansas Statutes

Statement 1 is designed to show compliance with the cash basis laws of Kansas. As shown in Statement 1, the District was in apparent compliance with the cash basis laws of Kansas.

## **3. 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 branch 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.

K.S.A 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. Government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

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

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial 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 District, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2021.



**3. DEPOSITS AND INVESTMENTS** (Continued)

At December 31, 2021, the District's carrying amount of deposits was \$188,281.89 and the bank balance was \$190,159.96. The bank balance was held at one bank resulting in a concentration of credit risk. Of the bank balance, \$190,159.96 was covered by federal depository insurance (FDIC).

**4. Long-Term Debt**

Changes in long-term debt for the District for the year ended December 31, 2021, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
Revenue Bonds									
Water System Refunding Bond									
Series 2010	1.0% - 4.0%	9/23/2010	\$ 1,035,000.00	10/1/2023	\$ 75,000.00	\$ -	\$ 75,000.00	\$ -	\$ 3,200.00
Total Contractual Indebtedness					\$ 75,000.00	\$ -	\$ 75,000.00	\$ -	\$ 3,200.00

## **5. DEFINED BENEFIT PENSION PLAN**

*Plan description.* The Anderson County RWD #5 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 publically 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](http://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 and 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 1.00% contribution rate for 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 the District were \$8,095.66 for the year ended December 31, 2021.

### **Net Pension Liability**

At December 31, 2021, the Rural Water District No. 5, Anderson County, Kansas's proportionate share of the collective net pension liability reported by KPERS was \$52,786.00. 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 Rural Water District No. 5, Anderson County, Kansas's proportion of the net pension liability was based on the ratio of the Rural Water District No. 5, Anderson County, Kansas'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 these financial statements.

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](http://www.kpers.org) or can be obtained as described above.

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

### ***Death and Disability Other Post-Employment Benefits***

As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended December 31, 2021.

## **6. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS** (Continued)

### *Compensated Absences:*

All full-time employees of the District contract for vacation benefits in varying annual amounts. Vacation must be used by each anniversary date. In the event of termination, unused accrued vacation time is paid.

The District accrues a liability for compensated absences which meet the following criteria:

- 1) The District's obligation relating to employees' rights to receive compensation for future absences is attributed to employee's services already rendered.
- 2) The obligation relates to rights that vest or accumulate.
- 3) Payment of the compensation is probable.
- 4) The amount can be reasonably estimated.

In accordance with the above criteria, the District has estimated a liability for vacation pay on the amount of \$8,801.04.

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the District is subsidizing the retirees because each participant is charged the level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

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

## **7. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets, errors and omissions; injuries to employees; employees' health and life; and natural disasters. The District manages these risks of loss through the purchase of various insurance policies.

## **8. CONCENTRATION OF RISK**

The District's customers are located in eastern Kansas counties. Risk of accounting loss exists from the possibility that numerous customers would no longer purchase water from the District. Impact of potential risk cannot be determined. Accounts receivable consist of unsecured receivables from the sales of water to customers of the District. The District is subject to the credit risk inherent in the rural water district business.

## **9. INTERFUND TRANSFERS**

Operating transfers were as follows:

<u>From Fund:</u>	<u>To Fund:</u>	<u>Statutory Authority</u>	<u>Amount</u>
Water Utility	Water Utility Bond and Interest	K.S.A. 12-825d	\$ 42,212.50

**10. CONTINGENCIES**

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus in Wuhan, China (the “COVID-19 outbreak”) and the risk to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District’s financial condition, liquidity and future results of operations. Management is actively monitoring the global and local situation on its financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the District is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity for fiscal year 2021. Our results of operations for full year 2022 may be materially adversely affected.

**11. SUBSEQUENT EVENTS**

The District evaluated events and transactions occurring subsequent to December 31, 2021. During this period, there were no subsequent events requiring recognition in the financial statement.

## **SUPPLEMENTARY INFORMATION**

**RURAL WATER DISTRICT NO. 5**

Anderson County, Kansas

Water Utility Fund

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2021

(With Comparative Actual Amounts For the Prior Year Ended December 31, 2020)

	Prior Year Actual	Current Year Actual	Budget	Variance - Over (Under)
<b>Receipts</b>				
Charges for Service				
Water Sales	\$ 317,608.33	\$ 303,952.62	\$ 320,000.00	\$ (16,047.38)
Access Charges	191,736.59	195,473.23	196,000.00	(526.77)
Penalties	8,625.05	8,634.25	8,700.00	(65.75)
Intergovernmental				
Federal Grant	-	14,031.65	-	14,031.65
State Grant - KDOT	-	109,938.75	-	109,938.75
Use of Money and Property				
Interest Income	206.42	-	160.00	(160.00)
Rental Income	5,200.00	4,197.01	4,800.00	(602.99)
Sale of Assets	6,209.24	2,624.99	5,000.00	(2,375.01)
Other Receipts				
Service Collections	5,141.90	6,400.45	6,600.00	(199.55)
Benefit Units Collected	47,475.95	25,900.00	25,000.00	900.00
Reimbursed Expense	-	10,783.44	-	10,783.44
Miscellaneous Income	3,468.78	1,365.49	25,061.25	(23,695.76)
<b>Total Receipts</b>	<b>585,672.26</b>	<b>683,301.88</b>	<b>\$ 591,321.25</b>	<b>\$ 91,980.63</b>
<b>Expenditures</b>				
Personal Services				
Salaries and Wages	95,073.34	113,341.28	\$ 97,000.00	\$ 16,341.28
Fringe Benefits	16,932.86	17,271.77	18,000.00	(728.23)
Contractual Services				
Contract Labor	12,478.85	13,240.20	13,000.00	240.20
Directors Fees	1,775.00	2,025.00	3,000.00	(975.00)
Fees and Taxes	2,955.73	3,944.05	3,200.00	744.05
Insurance and Bonds	21,157.00	22,222.00	23,000.00	(778.00)
Legal, Accounting, and Engineering	5,780.00	4,722.30	6,500.00	(1,777.70)
Repairs and Maintenance	646.00	3,576.83	3,600.00	(23.17)
Telephone	3,878.59	3,938.37	4,100.00	(161.63)
Commodities				
Fuel	3,874.19	7,125.24	7,000.00	125.24
Miscellaneous	1,463.07	668.34	500.00	168.34
Office Supplies	3,788.52	3,697.87	2,100.00	1,597.87
Utilities	1,888.79	1,905.94	1,900.00	5.94

**RURAL WATER DISTRICT NO. 5**  
Anderson County, Kansas  
Water Utility Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2021  
(With Comparative Actual Amounts For the Prior Year Ended December 31, 2020)

	Prior Year Actual	Current Year Actual	Budget	Variance - Over (Under)
Expenditures (Continued)				
Operating Supplies	\$ 61,334.71	\$ 54,535.77	\$ 80,000.00	\$ (25,464.23)
Postage	3,972.10	4,594.65	4,500.00	94.65
Power Purchased	11,275.81	13,761.67	12,500.00	1,261.67
Water Purchased	218,403.09	184,555.02	200,000.00	(15,444.98)
Capital Outlay	155,297.34	25,063.89	-	25,063.89
Operating Transfers to Water Utility Bond and Interest Fund	45,000.00	42,212.50	78,200.00	(35,987.50)
Total Expenditures	666,974.99	522,402.69	\$ 558,100.00	\$ (35,697.31)
Receipts Over (Under) Expenditures	(81,302.73)	160,899.19		
Unencumbered Cash, Beginning	83,143.02	1,840.29		
Unencumbered Cash, Ending	\$ 1,840.29	\$ 162,739.48		



**RURAL WATER DISTRICT NO. 5**

Anderson County, Kansas

Water Utility Bond and Interest Fund

Schedule of Receipts and Expenditures - Actual

Regulatory Basis

For the Year Ended December 31, 2021

(With Comparative Actual Amounts For the Prior Year Ended December 31, 2020)

	Prior Year Actual	Current Year Actual
Receipts		
Operating Transfers from Water Utility Fund	\$ 45,000.00	\$ 42,212.50
Total Receipts	45,000.00	42,212.50
Expenditures		
Debt Service		
Principal Payments	85,000.00	75,000.00
Interest	6,187.50	3,200.00
Total Expenditures	91,187.50	78,200.00
Cash Receipts Over (Under) Expenditures	(46,187.50)	(35,987.50)
Unencumbered Cash, Beginning	82,175.00	35,987.50
Unencumbered Cash, Ending	\$ 35,987.50	\$ -

**RURAL WATER DISTRICT NO. 5**  
Anderson County, Kansas  
Schedule of Costs of Operations  
For the Year Ended December 31, 2021

	Operations	Administration	Current Year Actual
Expenditures			
Salaries and Wages	\$ 75,560.85	\$ 37,780.43	\$ 113,341.28
Fringe Benefits	14,421.63	2,850.14	17,271.77
Contract Labor	13,240.20	-	13,240.20
Directors Fees	-	2,025.00	2,025.00
Fees and Taxes	3,944.05	-	3,944.05
Insurance and Bonds	14,814.67	7,407.33	22,222.00
Legal, Accounting, and Engineering	-	4,722.30	4,722.30
Telephone	-	3,938.37	3,938.37
Fuel	7,125.24	-	7,125.24
Miscellaneous	668.34	-	668.34
Office Supplies	-	3,697.87	3,697.87
Utilities	-	1,905.94	1,905.94
Operating Supplies	54,535.77	-	54,535.77
Postage	-	4,594.65	4,594.65
Power Purchased	13,761.67	-	13,761.67
Repairs	3,576.83	-	3,576.83
Water Purchased	184,555.02	-	184,555.02
Capital Outlay	25,063.89	-	25,063.89
Operating Transfers to Water Utility Bond and Interest Fund	42,212.50	-	42,212.50
Total Expenditures per Schedule 1	453,480.66	\$ 68,922.03	\$ 522,402.69
Less:			
Capital Outlay	(25,063.89)		
Transfers to Other Funds	(42,212.50)		
Add:			
Actual Debt Service	78,200.00		
Depreciation Expense	61,902.88		
Total Cost of Operations	526,307.15		
Gallons of Water Sold	49,514,000		
Cost/1000 gallons	\$ 10.63		



Board of Directors  
Rural Water District No. 5  
Anderson County, Kansas

In planning and performing our audit of the financial statement of Rural Water District No. 5, Anderson County, Kansas as of and for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered Rural Water District No. 5's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Rural Water District No. 5's internal control. Accordingly, we do not express an opinion on the effectiveness of Rural Water District No. 5's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in internal control to be material weaknesses:

#### Preparation of Financial Statements

Accounting standards state that the client must be able to accept responsibility and be able to identify a material misstatement when handed the financial statements, including footnotes and supplemental information. This would also include knowing if a required footnote disclosure was missing or not correctly stated. Presently, the District staff does not have the ability to process and prepare the required financial statements, including footnotes. While we recognize that this condition is not unusual for a District your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the District and changes in reporting requirements.

#### Segregation of Duties

An internal control structure is, quite simply, the procedures and policies in effect which ensure that the District's financial activity is properly recorded, processed, summarized, and reported in the financial statements. A weakness in the control structure occurs when one person is responsible for all of the accounting activities such as billing, receipt of cash, preparing the bank deposits, reconciling the bank account, and having access to all books and records of the District. Due to small staff size, it is not possible for reviews of daily work to take place, potentially resulting in errors in financial records and reports.

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**Jarred, Gilmore & Phillips, PA**  
CERTIFIED PUBLIC ACCOUNTANTS

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This communication is intended solely for the information and use of management, the Board of Directors, and others within Rural Water District No. 5, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Jarred, Gilore & Phillips, PA".

JARRED, GILORE & PHILLIPS, PA  
Certified Public Accounts

June 27, 2022  
Chanute, Kansas