RURAL WATER DISTRICT NO. 6
FRANKLIN COUNTY, KANSAS

Financial Statements for the
Years Ended September 30, 2021 and 2020
And Independent Auditors' Report

RURAL WATER DISTRICT NO. 6
FRANKLIN COUNTY, KANSAS

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Members
Rural Water District No. 6
Franklin County, Kansas

We have audited the accompanying financial statements of Rural Water District No. 6 (District), Franklin County, Kansas, which comprise the statements of net position as of September 30, 2021 and 2020, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit and Accounting Guide (KMAAG). Those standards and the Guide require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rural Water District No. 6, Franklin County, Kansas as of September 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The *"Other Information"* on page 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, therefore, we express no opinion on it.

Stephen M. Connelly, CPA, PC

November 26, 2021

RURAL WATER DISTRICT NO. 6
FRANKLIN COUNTY, KANSAS

STATEMENTS OF NET POSITION
SEPTEMBER 30, 2021 AND 2020

ASSETS	2021	2020
CURRENT ASSETS:		
Cash and cash equivalents	$ 434,311	$ 81,753
Debt reserve funds	319,953	346,399
Accounts receivable	81,211	79,999
Prepaid insurance	15,620	14,405
Total current assets	851,095	522,555
CAPITAL ASSETS, NET	5,477,525	5,586,542
	$ 6,328,621	$ 6,109,097
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 279,000	$ 240,000
Accounts payable	1,190	2,569
Accrued liabilities	25,625	25,885
Total current liabilities	305,815	268,454
LONG-TERM DEBT, less current portion	2,166,000	2,240,000
NET POSITION:		
Net investment in capital assets	3,032,525	3,106,542
Restricted	319,953	370,039
Unrestricted	504,326	124,062
	3,856,805	3,600,643
	$ 6,328,621	$ 6,109,097

See notes to financial statements.

RURAL WATER DISTRICT NO. 6
FRANKLIN COUNTY, KANSAS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
WATER SALES	$ 949,296	$ 868,777
OPERATING EXPENSES:		
Personnel costs	223,571	206,669
Chemicals	58,710	44,883
Professional fees	19,938	5,800
Utilities and telephone	60,036	68,312
Insurance	49,563	44,499
Office supplies and meetings	11,096	10,779
Repairs, maintenance and supplies	69,817	116,824
Mileage	1,481	1,811
Vehicle	18,751	14,125
Lab fees	4,105	3,483
Water assurance, protection and dues	16,469	10,508
Depreciation	229,759	227,481
Miscellaneous	3,688	12,559
	766,985	767,734
INCOME FROM OPERATIONS	182,311	101,043
NON-OPERATING REVENUES (EXPENSES):		
Interest income	903	10,529
Interest expense	(64,215)	(69,833)
Other income	13,506	19,462
Late charges	18,273	15,102
	(31,533)	(24,739)
INCOME BEFORE CAPITAL CONTRIBUTIONS	150,778	76,304
BENEFIT UNITS AND AID IN CONSTRUCTION	105,385	71,011
CHANGE IN NET POSITION	256,163	147,315
NET POSITION, BEGINNING	3,600,643	3,453,328
NET POSITION, ENDING	$ 3,856,805	$ 3,600,643

See notes to financial statements.

RURAL WATER DISTRICT NO. 6
FRANKLIN COUNTY, KANSAS

STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$ 948,085	863,140
Payments to suppliers	(316,507)	(334,546)
Payments to employees	(223,571)	(206,669)
Net cash flow provided by operating activities	408,006	321,924
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from sale of benefit units and aid in construction	105,385	71,011
Payments on long-term debt	(35,000)	(235,000)
Interest paid	(64,215)	(69,833)
Acquisition and construction of capital assets	(120,745)	(713,364)
Net cash provided by capital and related financing activities	(114,575)	(947,186)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Miscellaneous non-operating income	31,778	34,564
Net cash provided by non capital financing activities	31,778	34,564
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in debt reserve funds	26,446	46,744
Change in certificates of deposit	0	261,817
Interest received	904	10,530
Net cash used by investing activities	27,349	319,092
NET CHANGE IN CASH AND EQUIVALENTS	352,559	(271,606)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	81,753	353,359
CASH AND EQUIVALENTS, END OF YEAR	$ 434,312	$ 81,753
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 182,311	$ 101,043
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	229,759	227,481
Changes in:		
Accounts receivable	(1,212)	(5,638)
Prepaid insurance	(1,214)	(1,759)
Accounts payable	(1,379)	(1,790)
Accrued liabilities	(260)	2,586
Net cash provided by operating activities	408,006	321,924

See notes to financial statements.

RURAL WATER DISTRICT NO. 6
FRANKLIN COUNTY, KANSAS

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization - The Rural Water District (District) was established as a tax-exempt organization to acquire water and water rights and to build and acquire pipe lines for the purpose of furnishing water to owners and occupants of land located within the District. Total customers at September 30, 2021 and 2020 were 1,077 and 1,063, respectively.

b. GASB Statement No. 34 – GASB Statement No. 34, known as the "Reporting Model" statement, affects the way the District prepares and presents financial information. The statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions, 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. Management has elected not to prepare the MD&A for this year.

Statement of Net Assets – 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 Presentation – 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.

c. Basis of Accounting - In the Statement of Net Assets and Statement of Revenues and expenses and Changes in Net, activities are presented using the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

d. Cash Equivalents - For purposes of the statements of cash flows, the District considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

e. Accounts Receivable – Payments for water service are due the 15th day of the month or will be subject to a late charge of 15%. Failure to pay for water service by the first day of the month, following the month in which the water service was provided, shall result in discontinuance of service. Starting in May 2004, the District began reading meters using radio read system. The District water rates are as follows:

Residential and Commercial:

$	28.50	Minimum rate, includes 0 gallons
$	9.25	per 1,000 gallons

City of Lane:

$	5.30	per 1,000 gallons

City of Rantoul:

$	5.30	per 1,000 gallons

e. Property and Equipment - Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The cost of maintenance and repairs is charged to income as incurred; significant renewals and improvements are capitalized.

f. Income Taxes - The District is a tax-exempt government entity and is not subject to federal or state income taxes.

g. Benefit Units – Benefit units are rights that entitle the holder to water service. Benefit units are presently sold for $5,250 and are recognized when sold.

h. Aid in Construction – Aid in Construction represents contributions from the members for line extensions.

i. Inventory – The District does not maintain inventory; all supplies and parts are expensed when purchased.

j. 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 these estimates.

2. CASH AND DEPOSITS

The carrying amounts of the District's deposits at September 30, 2021 were $754,264. The cash and deposits were covered by depository insurance or by collateral held by the District's agent in the District's name.

Under K.S.A. 12-1675, the State of Kansas limits the types of investments municipalities can invest in, including Rural Water Districts. As a result, the cash and deposits of the District are considered low risk investments.

The following represents a detail of the cash and deposits of the District:

	2021	2020
Bank Midwest - Operating Account	$ 415,750	$ 81,753
Bank Midwest - Savings	-	0
Bank Midwest -Money Market	319,953	346,399
Mid-America Bank - Savings	18,561	18,517
	754,264	446,669

3. CAPITAL ASSETS

	2021	2020
Land and well sites	$ 38,949	$ 38,949
Office building	99,032	99,032
Water treatment plant and equipment	3,422,500	3,412,482
Distribution system	3,487,988	3,454,386
Tanks	473,990	473,990
Clarifier	1,454,844	1,454,844
Pump stations	639,136	639,136
Riverbank stabilization	436,610	372,510
Office equipment and vehicles	213,877	200,856
	10,266,926	10,146,184
Less accumulated depreciation	4,789,400	4,559,642
	$ 5,477,525	$ 5,586,542

	2021			
		Additions	Disposals Transfers	
Land and Well Sites	$ 38,949	$	$	$ 38,949
Office Building	99,032			99,032
Water Treatment Plant	3,412,482	10,018		3,422,500
Distribution System	3,454,386	33,602		3,487,987
Pump Stations	639,136			639,136
Clarifier	1,454,844			1,454,844
Tanks	473,990			473,990
Riverbank stabilization	372,510	64,100		436,610
Office Equipment and Vehicles	200,856	13,021		213,877
	$ 10,146,184	$ 120,742	$	$ 10,266,926

	2020			
		Additions	Disposals	
Land and Well Sites	$ 38,949	$	$	$ 38,949
Office Building	99,032			99,032
Water Treatment Plant	3,412,482			3,412,482
Distribution System	3,333,221	121,164		3,454,386
Pump Stations	639,136			639,136
Clarifier	1,201,950	252,894		1,454,844
Tanks	473,990			473,990
Riverbank stabilization	0	372,510		372,510
Office Equipment and Vehicles	156,728	44,128		200,856
	$ 9,332,823	$ 790,695	$	$ 10,146,184

Capitalization policies, depreciation methods, and estimated useful lives of capital assets are as follows:

	Capitalization Policy	Depreciation Method	Estimated Useful Life
Buildings	5,000	Straight Line	10-30 years
Water System	5,000	Straight Line	10-50 years
Office Equipment	5,000	Straight Line	3-7 years
Vehicles	5,000	Straight Line	10 years

4. LONG-TERM DEBT

In 2021, the District issued Water Revenue Bonds Series 2021 in the amount of $210,000 ($210,000 outstanding at September 30, 2021) in order to finance certain improvements to the water system. The bonds bear interest at 1.75%. Repayment on the bonds begins November 2021. Based on the current outstanding balance, the District will make semi-annual principal and interest payments over a 7 year period.

In 2017, the District issued Refunding Bonds Series 2017 in the amount of $2,580,000 ($1,925,000 outstanding at September 30, 2021) in order to refinance the Water Revenue Bond Series 2012. The bonds bear interest at 2.0%-3.25%. Repayment on the bonds begins May 2021. Based on the current outstanding balance, the District will make semi-annual principal and interest payments over a 12 year period. Revenues of the District have been pledged as security.

In 2017, the District issued Water Revenue Bonds Series 2017 in the amount of $525,000 ($310,000 outstanding at September 30, 2021) in order to finance certain improvements to the water system. The bonds bear interest at 2.5%. Repayment on the bonds begins November 2021. Based on the current outstanding balance, the District will make semi-annual principal and interest payments over a 7 year period. Revenues of the District have been pledged as security.

Roll forward of long-term debt:

	Beginning Balance	Advances	Payments	Ending Balance	Current Portion
Long Term Debt	$ 2,715,000	$ -	$ 235,000	$ 2,480,000	$ 240,000

Maturities of the bonds for years subsequent to September 30, 2021 are as follows:

Refunding Bonds Series 2017

	Principal	Interest	Total
2022	175,000	52,075	227,075
2023	180,000	46,825	226,825
2024	185,000	43,225	228,225
2025	185,000	39,525	224,525
2026	190,000	35,363	225,363
2027	190,000	30,613	220,613
2028	200,000	25,388	225,388
2029	205,000	19,638	224,638
2030	205,000	13,488	218,488
2031	210,000	6,825	216,825
	$ 1,925,000	$ 312,965	$ 2,237,965

Revenue Bonds, Series 2017

2022	$ 75,000	$ 6,813	$ 81,813
2023	75,000	4,938	79,938
2024	80,000	3,000	83,000
2025	80,000	1,000	81,000
	$ 310,000	$ 15,750	$ 325,750

Revenue Bonds, Series 2021

2022	$ 29,000	$ 3,348	$ 32,348
2023	29,000	3,168	32,168
2024	29,000	2,660	31,660
2025	30,000	2,153	32,153
2026	30,000	1,628	31,628
2027	31,000	1,103	32,103
2028	32,000	560	32,560
	$ 210,000	$ 14,618	$ 224,618

5. CONCENTRATION OF CREDIT RISK

The District is engaged in the sale of water to customers located primarily in Franklin and Miami Counties, Kansas. The District grants credit to those customers and requires no collateral. The District also sells water to the Cities of Rantoul, Lane and Central Heights, Kansas.

6. PENSION PLAN

General Information about the Pension Plan

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

Contributions. KSA 74-4919 and KSA 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, 2020. Effective January 1, 2020, Kansas law established the KPERS member-employee contribution rate of 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 0.85% contribution rate for Death and Disability Program) and the statutory contribution rate was 8.61% for the fiscal year ended September 30, 2021. Contributions to the pension plan from the District were $15,394 for the year ended September 30, 2021.

Net Pension Liability

At December 31, 2020, the District's estimated proportionate share of the collective net pension liability was $152,614. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2020. The District's proportion of the net pension liability was based on the ratio of the District'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 or can be obtained as described above.

7. WATER SALES CONTRACT

In 1998, the District entered into contracts to sell water to the Cities of Rantoul and Lane, Kansas (Cities). Under the contract, the Cities will pay the District $8.30 per 1,000 gallons and a fixed monthly fee of $300. In addition, the Cities may not purchase more than 35,000 gallons per day.

8. COMPLIANCE WITH KANSAS STATUTES

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and legal representatives of the water district. There were no apparent statutory violations during the year ended September 30, 2021.

9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, and injuries to employees. The District manages these various risks of loss through various insurance policies. See supplemental schedule for details of the various insurance policies.

10. COMPENSATED ABSENCES

Each full-time employee earns vacation for the years that the employee has been employed. After the first year of service an employee earns 40 hours of vacation and after three years, 80 hours is earned. Vacation time is lost if not used in the year earned. Additionally, each full-time employee earns sick time each year, however, accumulated sick time cannot be compensated upon termination of employment.

11. NET INVESTMENT IN CAPITAL ASSETS

The following represents the net investment in capital assets:

Capital assets, net	$	5,477,525
Outstanding debt		(2,445,000)
	$	3,032,525

12. RELATED PARTIES

The members of the board and the employees are within in the District boundaries and receive water from the District.

13. LEASES

The District has a lease agreement with a telecommunications company (Company) whereby the Company leases the use of certain District towers for the placement of antennae and other telecommunications equipment for a total period of 3 years.

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events from the date of the financial statements through November 26, 2021, the date the financial statements were available to be issued, and determined there are no other items to disclose.

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RURAL WATER DISTRICT NO. 6
FRANKLIN COUNTY, KANSAS

SCHEDULE OF STATISTICAL INFORMATION
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
Gallons sold	67,613,100	66,984,900
Number of benefit units	1,077	1,063
Average monthly usage per benefit unit	5,819	5,896
Average monthly water sale per benefit unit	$ 73.45	$ 68.11
Average monthly operating expenses per benefit unit	$ 59.36	$ 60.20
Average monthly interest expense per benefit unit	$ 4.97	$ 5.47
Average monthly depreciation per benefit unit	$ 17.78	$ 17.83