

**RURAL WATER DISTRICT NO. 4, SALINE COUNTY, KANSAS**

Salina, Kansas

**REGULATORY BASIS FINANCIAL STATEMENT**

**WITH**

**REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION**

**AND**

**INDEPENDENT AUDITOR'S REPORT**

December 31, 2019

**RURAL WATER DISTRICT NO. 4, SALINE COUNTY, KANSAS**

Salina, Kansas

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December 31, 2019

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August 18, 2020

Board of Directors  
Rural Water District No. 4 Saline County, Kansas  
Salina, Kansas

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Rural Water District, No. 4, Saline County, Kansas (the District), as of and for the year ended December 31, 2019 and the related notes to the financial statement.

#### Management's Responsibility 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 to meet the financial reporting requirements of the State of Kansas; 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.

#### Auditor's Responsibility

Our responsibility is to express an opinion on this 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 that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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.

# Independent Auditor's Report

August 18, 2020  
Rural Water District No. 4 Saline County, Kansas  
(Continued)

#### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1 of the financial statement, the financial statement is prepared by the District to meet the requirements of the State of 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 regulatory basis of accounting described in Note 1 and the accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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

In our opinion, because of the significance of the matter discussed in the previous paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Authority as of December 31, 2019, or changes in financial position or cash flows thereof for the year then ended.

#### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the District as of December 31, 2019, 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.

#### **Report on Regulatory-Required Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the summary statement of receipts, expenditures, and unencumbered cash - regulatory basis (basic financial statement) as a whole. The schedule of receipts and expenditures - regulatory basis - Water Utility Fund is presented for analysis and are not a required part of the basic financial statement. 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 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.

*Varny & Associates, CPAs, LLC*

Certified Public Accountants  
Manhattan, Kansas

**RURAL WATER DISTRICT NO. 4, SALINE COUNTY, KANSAS**  
 Salina, Kansas  
**SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH**      **STATEMENT 1**  
 Regulatory Basis  
 For the Year Ended December 31, 2019

<b>Funds</b>	<b>Beginning Unencumbered Cash Balance</b>	<b>Cash Receipts</b>	<b>Expenditures</b>	<b>Ending Unencumbered Cash Balance</b>	<b>Add Outstanding Encumbrances and Accounts Payable</b>	<b>Ending Cash Balance</b>
Business Fund: Water Utility	<u>\$ 625,160</u>	<u>\$ 155,108</u>	<u>\$ 122,914</u>	<u>\$ 657,354</u>	<u>\$ -</u>	<u>\$ 657,354</u>

**Composition of Cash**

Checking	\$ 69,103
Savings Accounts	246
Certificates of Deposit	<u>588,005</u>
	<u>\$ 657,354</u>

See Independent Auditor's Report.

The accompanying notes are an integral part of this financial statement.

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***Financial Statement***

**RURAL WATER DISTRICT NO. 4, SALINE COUNTY, KANSAS**  
Salina, Kansas  
**NOTES TO FINANCIAL STATEMENT**  
December 31, 2019

**Notes to Financial Statement**

**Note 1: Summary of Significant Accounting Policies**

The financial statement and schedules of the Rural Water District No. 4, Saline County (the District) have been prepared in order to show compliance with the cash basis laws of the State of Kansas. The more significant of the District's accounting policies follow. Note 1 describes how the District's accounting policies differ from generally accepted accounting policies.

**Financial Reporting Entity**

The District is a quasi-municipal corporation governed by an elected seven-member council. The District provides water to over 300 members of the District in rural Saline County, Kansas. All water sales are made to residents in the area of the District. Accordingly, the District's operations are dependent upon the economic conditions of the area.

**Regulatory Basis Fund Types**

This financial statement presents the District (primary government). There are no related municipal entities which should be accounted for in the District's financial statement.

**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 receipts 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 Authority to use the regulatory basis of accounting.

**Budgetary Information**

Kansas Statutes do not require budgets for Rural Water Districts.

**Deposits and Investments**

Deposits and investments include an operating checking account, savings, and certificates of deposit. Kansas statutes permit investment in savings accounts, certificates of deposit, and, in certain cases, obligations of the U.S. Treasury.

**Note 2: Stewardship, Compliance, and Accountability**

**Compliance with Kansas Statutes**

Statement 1 has been prepared in order to show compliance with the cash basis laws of Kansas. As shown in Statement 1, the District was in compliance with the cash basis laws of Kansas.

**RURAL WATER DISTRICT NO. 4, SALINE COUNTY, KANSAS**

Salina, Kansas

**NOTES TO FINANCIAL STATEMENT (CONTINUED)**

December 31, 2019

*Notes to Financial Statement*

**Note 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 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 Authority 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 deposits 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.

*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 City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The District does not have any "peak periods" designated.

At December 31, 2019, the District's carrying amount of deposits was \$657,354 and the bank balance was \$662,095. The bank balance was held by five banks resulting in no concentration of credit risk. The entirety of the bank balance was covered by federal depository insurance.

**Note 4: 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.

**Note 5: Debt**

During 2019, the Board approved the construction of a new water tower. This project is to be financed with funds secured through the Kansas Public Water Supply Loan Fund. The total loan of \$541,086 has been approved by the State of Kansas, however as of December 31, 2019 there have been no draws on the loan.

**Note 6: Subsequent Events**

Management has evaluated events and transactions occurring subsequent to December 31, 2019 through August 18, 2020, the date the financial statement was available to be issued. During this period, there were no subsequent events requiring recognition in the financial statement.

## **REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION**



## RURAL WATER DISTRICT NO. 4, SALINE COUNTY, KANSAS

Salina, Kansas

## WATER UTILITY FUND

## SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL - REGULATORY BASIS

For the Year Ended December 31, 2019

(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	<b>2019</b>	<b>2018</b>
	<b>Actual</b>	<b>Actual</b>
<b>CASH RECEIPTS</b>		
Charges for services		
Water sales	\$ 140,401	\$ 123,375
Benefit units	-	19,000
Other income		
Miscellaneous Income	1,002	6,973
Use of money and property		
Interest income	13,705	7,954
<b>Total Cash Receipts</b>	<b>\$ 155,108</b>	<b>\$ 157,302</b>
<b>EXPENDITURES</b>		
Payroll	\$ 21,505	\$ 22,698
Mileage	1,921	1,809
Repair and maintenance	27,034	10,245
Utilities	13,646	16,209
Insurance	6,638	4,537
Office expense	3,356	3,430
Contract wages	37,017	34,180
Capital improvements	1,775	2,025
Miscellaneous	4,000	1,421
Water protection/quality	1,513	1,746
Chemicals and supplies	752	1,739
Locates	203	245
Rent expense	1,200	1,200
Dues and subscriptions	345	398
Legal and accounting	2,009	2,745
<b>Total Expenditures</b>	<b>\$ 122,914</b>	<b>\$ 104,627</b>
<b>Cash receipts over (under) expenditures</b>	<b>\$ 32,194</b>	<b>\$ 52,675</b>
<b>Unencumbered Cash - Beginning</b>	<b>625,160</b>	<b>572,485</b>
<b>Unencumbered Cash - Ending</b>	<b>\$ 657,354</b>	<b>\$ 625,160</b>