RURAL WATER DISTRICT NUMBER 2
Coffey County
Gridley, Kansas

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2021

RURAL WATER DISTRICT NUMBER 2
Coffey County
Gridley, Kansas

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rural Water District Number 2
Coffey County
Gridley, Kansas

Opinions
We have audited the accompanying financial statements of the business type fund, the one major fund, and the aggregate remaining fund information of Rural Water District Number 2, Coffey County and the related notes to the financial statements, which collectively comprise Rural Water District Number 2, Coffey County basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type fund the one major fund, and the aggregate remaining fund information of Rural Water District Number 2, Coffey County as of December 31, 2021, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rural Water District Number 2, Coffey County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rural Water District Number 2, Coffey County 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.

Auditor's Responsibilities for the Audit of Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue and auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INPACT
INTERNATIONAL NETWORK OF PROFESSIONAL ACCOUNTANTS
AFFILIATE

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Rural Water District Number 2, Coffey County internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Rural Water District Number 2, Coffey County 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
Rural Water District Number 2, Coffey County 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.

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 revenues and expenses compared to budget (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

Harold K Mayes Jr CPA
Agler & Gaeddert Chartered
Ottawa, Kansas
August 4, 2022

Rural Water District Number 2
Coffey County
Gridley, Kansas
STATEMENT OF NET POSITION
December 31,

		2021
ASSETS		
Current Assets		
Cash Operations	$	672,499
Petty Cash		200
Money Market Accounts		455,585
Certificates of Deposit		342,151
Accounts Receivable		58,945
Prepaid Expenses		6,872
Inventory		76,786
Total current assets		1,613,038
Property, Plant and Equipment		
Land		58,093
Water System		5,857,546
Office Equipment		72,375
Vehicles and Trailers		454,844
		6,442,858
Accumulated Depreciation		(3,799,483)
Total Property Plant and Equipment		2,643,375
Total Assets	$	4,256,413
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts Payable	$	26,151
Payroll Liabilities		992
Accrued Salaries and Payroll Taxes		14,198
Total Current Liabilities		41,341
Net Position		
Invested in Capital Assets, Net of Related Debt		2,643,375
Unrestricted Net Position		1,571,697
Total Net Position		4,215,072
Total Liabilities & Net Position	$	4,256,413

The accompanying notes are an integral part of this statement.

Rural Water District Number 2
Coffey County
Gridley, Kansas
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31,

		2021
Operating Revenues		
Water Sales	$	622,496
Maintenance Fee		295,016
Line Extension Reimbursements		1,697
Repair Reimbursements		1,287
Late Charges		42
Reconnect Fees		750
Miscellaneous		2,978
Total Revenues		924,266
Cost of Sales		
Cost of Water		356,480
Gross Profit		567,786
Operating Expenses		
Director Expenses		15,525
Wages		169,054
Payroll Taxes		12,848
Maintenance Labor		7,309
Small Tools & Supplies		3,427
Maintenance Materials		14,582
Repairs - Equipment		495
Repairs - Vehicle		8,201
Gas & Oil		12,943
Utilities		15,596
Telephone		5,098
Office Utilities		3,794
Dues & Subscriptions		866
Insurance		26,325
Chemicals		2,780
Professional Fees		15,500
Licenses		40
Maintenance & Repairs		5,745
Office Supplies		3,489
Meeting Expense		313
Postage		3,577
Water testing		2,087
Depreciation		151,390
Total Operating Expenses		480,984
Total Operating Income (Loss)		86,802
Non-Operating Revenues (Expenses)		
Interest Income		6,236
Other Revenues and (Expenses)		
Sales of Benefit Units		33,000
Net Income		126,038
Total Net Position, Beginning of Year		4,089,034
Total Net Position, End of Year	$	4,215,072

The accompanying notes are an integral part of this statement.

Rural Water District Number 2
Coffey County
Gridley, Kansas
STATEMENT OF CASH FLOWS
For the Year Ended December 31,

		2021
Cash Flows From Operating Activities		
Cash Received from Customers	$	937,739
Cash Paid to Suppliers		(495,818)
Cash Paid to Employees (Including Payroll Taxes and Benefits)		(178,357)
Net Cash Provided by (Used in) Operating Activities		263,564
Cash Flows Provided by (Used in) Financing Activities		
Water Benefit Units Proceeds		33,000
Net Cash Provided by (Used in) Financing Activities		33,000
Cash Flows Provided by (Used in) Investing Activities:		
(Increase) Decrease in Money Markets		14,882
Interest Income		6,236
(Increase) Decrease in Certificates of Deposit		(2,122)
Net Cash Provided by (Used in) Investing Activities		18,996
Net increase (decrease) in cash and cash equivalents		315,560
Cash and cash equivalents, beginning of year		812,724
Cash and cash equivalents, end of year	$	1,128,284
Cash Balances		
Cash Operations		672,499
Petty Cash		200
Money Market		455,585
	$	1,128,284
Reconciliations of Operating Income to Net Cash Provided by (Used in) Operating Activities		
Operating Income	$	86,802
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Depreciation		151,390
Changes in Assets and Liabilities not Current Affecting Cash:		
(Increase) Decrease in Accounts Receivable		13,473
(Increase) Decrease in Prepaid Expenses		(259)
(Increase) Decrease in Inventory		9,294
Increase (Decrease) in Accounts Payable		(681)
Increase (Decrease) in Other Payables		3,545
	$	263,564

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

Rural Water District Number 2
Coffey County
Gridley, Kansas
NOTES TO FINANCIAL STATEMENTS
December 21, 2021

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 2 (here in referred to as the District) is considered to be 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 in the Gridley, 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 and expenses not properly included with program revenues or meter deposits will be reported as other revenues and expenses.

The District has just one fund to present in the basic financial statements that accounts for water sales and service to customers of the District. This fund is reported as an enterprise fund.

3. Measurement focus and Financial Statement Presentation

The financial statements of the District are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when relate cash flows take place. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Reimbursements are reported as reductions to expenses or capital assets.

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.

Budgets are adopted for internal use only and are not required to be published or approved by outside agencies. All budgets are prepared using the accrual basis of accounting.

NOTE A. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICEIES - continued

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, highly 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. District's capitalization policy is any item over $5,000.

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

Water Systems	10 - 40 years
Office Equipment	3 - 10 years
Vehicle and Trailers	3 - 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.

NOTE A. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

12. Deferred Outflows and Inflows of Resources

The District does not have any deferred outflows or inflows to report at the current time.

13. Restricted and Unrestricted Resources

The District's policy is to first expend restricted resources should the expenditure qualify for the restricted purpose before expending unrestricted funds.

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 21, 2021.

At year-end the carrying amount of the District's deposits (less cash on hand of $200) was $1,470,235 for 2021. The bank balance was $1,407,235 for 2021. The difference between book and bank balance is outstanding deposits and checks. The bank balance was held by three banks which reduces credit risk. Of the bank balance $592,150 for 2021 was covered by FDIC insurance and $878,085 for 2021 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.

2. Accounts Receivable

Accounts receivable	2021
Currently due from customers	$ 61,260
Past due from customers	3,649
Credit balances	(5,964)
	$ 58,945

NOTE B - ASSETS, LIABILITIES AND NET POSITION- continued

3. Inventories

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

Inventories	2021
Pipe, couplings, fittings, meters etc.	$ 76,786

4. Capital Assets are detailed as follows:

	2021			
Capital assets	Beginning Balance	Additions	Retirements	Ending Balance
Land	$ 58,093	$ 0	$ 0	$ 58,093
Water System	5,857,546	0	0	5,857,546
Office Equipment	72,375	0	0	72,375
Vehicles and Trailers	454,844	0	0	454,844
Totals at cost	6,442,858	0	0	6,442,858
Accumulated depreciation:	3,648,093	151,390	0	3,799,483
Net Fixed Assets	$ 2,794,765	$ (151,390)	$ 0	$ 2,643,375

There were no impairment of capital assets as described above as of December 21, 2021

5. Compensated Absences

The District does not have a compensated absence policy.

6. Long-term Debt

The District entered into a contract to purchase a backhoe at a cost of $308,191 to be paid in equal installments of $77,191 at an interest rate of 3.7%. As of December 31, 2021 the balance remaining is $154,382 and is as follows $77,191 in 2022 and $77,191 due in 2023.

NOTE C. - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

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

2. Compliance with Kansas Statutes

The District had the following statutory violations for the year ended December 21, 2021.

The District had $878,085 in deposits which were unsecured as of the end of the year.

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 all of its water from either the City of Emporia or the City of Burlington.

3. Net Position

Net position in proprietary fund financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through State statute. As of December 21, 2021 the District did not have any restricted net positions.

4. Water Purchase Contract

In 1969, the District entered into a 40-year contract with the City of Burlington, Kansas for the purchase of water. The agreement requires the City to sell water to the District not to exceed 4,500,000 gallons per month. The District purchased approximately 43.9 million gallons of water for the year ended December 31, 2021. The District and the city are still following the original contract even though the 40 contract has expired.

In 1999, the District entered into a 20-year contract with the City of Emporia, Kansas for the purchase of water. The agreement requires the City to sell water to the District not to exceed 8,000,000 gallons per month. The District purchased approximately 31.4 million gallons of water for the year ended December 31, 2021.

5. Related Party Transactions

The board of Directors are paid a fee of $75 for each meeting attended. As of the end of the year the District will pay out $5,325 to board members.

6. Subsequent events

Management has evaluated events through August 4, 2022 and has determined there are no significant events that require disclosure.

SUPPLEMENTARY INFORMATION

Rural Water District Number 2
Coffey County
Gridley, Kansas
SCHEDULE OF STATISTICAL INFORMATION
For the Years Ended December 31, 2021 AND 2020

		2021		2020
Gallons Sold		66,922,000		66,086,000
Gallons Purchased		75,352,000		77,444,000
Water Loss Percentage		11.19%		14.67%
Number of Benefit Units		952		944
Averag Monthly Customers Water Bill	$	80.31	$	77.58
Average Monthly Costs and Expenses Per Customer	$	73.31	$	66.06
Average Monthly Gallons Used Per Customer		5,858		5,834