

**Rural Water District Number 4**  
**Miami County, Kansas**

FINANCIAL STATEMENTS  
AND  
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2009 and 2008

**Rural Water District Number 4  
Miami County, Kansas**

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors  
Rural Water District Number 4  
Miami County, Kansas

We have audited the accompanying financial statements of the business-type activities of Rural Water District Number 4, Miami County, Kansas as of and for the years ended December 31, 2009 and 2008, which collectively comprise Rural Water District Number 4, Miami County, Kansas's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Rural Water District Number 4, Miami County, Kansas's management. 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 Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Rural Water District Number 4, Miami County, Kansas as of December 31, 2009 and 2008 and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Rural Water District Number 4, Miami County, Kansas has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison schedules, as listed in the table of contents, are presented for purposes of additional analysis and, are not a required part of the basic financial statements. The budgetary comparison schedules have been subjected to auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Agler & Gaeddert, Chartered*

February 16, 2010



**Rural Water District Number 4  
Miami County, Kansas**

STATEMENTS OF NET ASSETS

December 31,

ASSETS

	<u>2009</u>	<u>2008</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 173,376	\$ 168,294
Certificates of deposit - short term	419,115	389,239
Accounts receivable	24,831	24,153
Prepaid insurance	<u>3,632</u>	<u>3,575</u>
 Total current assets	 <u>620,954</u>	 <u>585,261</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Equipment and lines	1,395,342	1,395,342
Building	35,081	35,081
Furniture and equipment	21,477	17,322
Tower fencing	<u>3,462</u>	<u>3,462</u>
	1,455,362	1,451,207
Less accumulated depreciation	<u>(559,421)</u>	<u>(521,908)</u>
	895,941	929,299
 Land and well sites	 <u>1,000</u>	 <u>1,000</u>
 Total property, plant and equipment	 <u>896,941</u>	 <u>930,299</u>
<b>OTHER ASSETS</b>		
Cash restricted per bond requirements	64,007	62,902
Certificates of deposit - long term	0	20,468
Bond issue costs, net	<u>1,979</u>	<u>4,149</u>
 Total other assets	 <u>65,986</u>	 <u>87,519</u>
 Total assets	 <u>\$ 1,583,881</u>	 <u>\$ 1,603,079</u>

The accompanying notes are an integral part of these statements.

LIABILITIES

	<u>2009</u>	<u>2008</u>
<b>CURRENT LIABILITIES</b>		
Long-term debt due within one year	\$ 15,000	\$ 80,000
Accounts payable	6,692	1,469
Accrued payroll taxes	1,992	2,217
Accrued sales tax	65	87
Accrued water protection tax	270	295
Accrued bond interest	<u>60</u>	<u>372</u>
 Total current liabilities	 <u>24,079</u>	 <u>84,440</u>
 <b>LONG-TERM DEBT</b>		
Bond payable	15,000	95,000
Less due within one year	<u>15,000</u>	<u>80,000</u>
 Total long-term debt	 <u>0</u>	 <u>15,000</u>
 Total liabilities	 <u>24,079</u>	 <u>99,440</u>
 <b>NET ASSETS</b>		
Members' contributions	643,900	640,900
Grants invested in capital assets	295,000	295,000
Net assets		
Restricted for debt service	64,007	62,902
Unrestricted	<u>556,895</u>	<u>504,837</u>
 Total net assets	 <u>1,559,802</u>	 <u>1,503,639</u>
 Total liabilities, members' contributions and net assets	 <u>\$ 1,583,881</u>	 <u>\$ 1,603,079</u>

The accompanying notes are an integral part of these statements.

**Rural Water District Number 4**  
**Miami County, Kansas**

STATEMENTS OF ACTIVITIES

For the Years Ending December 31,

	<u>2009</u>	<u>2008</u>
Operating revenues		
Water sales and late charges	\$ <u>118,154</u>	\$ <u>120,583</u>
Cost of sales		
Water purchase	<u>80,493</u>	<u>73,962</u>
Gross profit	<u>37,661</u>	<u>46,621</u>
Operating expenses		
Salaries	33,845	32,705
Payroll taxes	3,202	3,033
Contract labor	1,390	2,695
Repairs and maintenance	5,151	4,456
Professional fees	4,476	4,078
County fees	1,339	729
Business insurance	4,966	3,318
Dues and subscriptions	0	644
Postage	2,428	2,482
Office expense	1,886	2,809
Utilities & phone	3,070	1,938
Testing	352	248
Supplies	2,612	2,324
Reimbursed mileage	10,074	7,950
Depreciation	37,514	37,141
Amortization	2,170	2,170
Meals and travel	517	427
Bad debt expense	932	448
Administration	<u>1,531</u>	<u>746</u>
Total operating expenses	<u>117,455</u>	<u>110,341</u>
Net operating income (loss)	<u>(79,794)</u>	<u>(63,720)</u>
Non-operating revenues (expenses)		
Interest income	11,105	25,327
Interest expense	(4,208)	(7,721)
Reimbursements for line extensions and relocations	150	600
Debt service charge receipts	<u>125,910</u>	<u>126,665</u>
Total non-operating income (expense)	<u>132,957</u>	<u>144,871</u>

The accompanying notes are an integral part of these statements.

**Rural Water District Number 4  
Miami County, Kansas**

STATEMENTS OF ACTIVITIES

For the Years Ending December 31,

	<u>2009</u>	<u>2008</u>
Changes In Net Assets	\$ 53,163	\$ 81,151
Total net assets, beginning of year	<u>567,739</u>	<u>486,588</u>
Total net assets, end of year	<u>\$ 620,902</u>	<u>\$ 567,739</u>
Net Assets		
Restricted for debt service	\$ 64,007	\$ 62,902
Unrestricted	<u>556,895</u>	<u>504,837</u>
	<u>\$ 620,902</u>	<u>\$ 567,739</u>

The accompanying notes are an integral part of these statements.

**Rural Water District Number 4  
Miami County, Kansas**

STATEMENTS OF CHANGES IN MEMBERS' CONTRIBUTIONS  
AND GRANTS INVESTED IN CAPITAL ASSETS

For the Years Ending December 31,

	<u>Members' Contributions</u>	<u>Patronage Membership Grant</u>	<u>State of Kansas Grant</u>	<u>Total Grants</u>
Balance December 31, 2007	\$ 637,900	\$ 25,000	\$ 270,000	\$ 295,000
Additions				
Benefit unit sales	<u>3,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Balance December 31, 2008	640,900	25,000	270,000	295,000
Additions				
Benefit unit sales	<u>3,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Balance December 31, 2009	<u>\$ 643,900</u>	<u>\$ 25,000</u>	<u>\$ 270,000</u>	<u>\$ 295,000</u>

The accompanying notes are an integral part of these statements.

**Rural Water District Number 4  
Miami County, Kansas**

STATEMENTS OF CASH FLOWS

For the Years Ending December 31,

	2009	2008
Cash flows provided by (used in) operating activities:		
Cash received from customers	\$ 117,475	\$ 122,493
Cash paid to suppliers and employees	(153,682)	(150,705)
Net cash provided by (used in) operating activities	(36,207)	(28,212)
Cash flows provided by (used in) capital and related financing activities:		
Sale of benefit units	3,000	3,000
Debt service charges received from customers	125,910	126,665
Principal payments of long term debt	(80,000)	(75,000)
Acquisition of equipment and easements	(4,155)	0
Reimbursements for line extensions and relocations received from customers	150	600
Interest paid	(4,208)	(8,007)
Net cash provided by (used in) capital and related financing activities	40,697	47,258
Cash flows provided by (used in) investing activities:		
Interest income reinvested in certificates of deposit	(10,513)	(24,571)
Interest income	11,105	25,327
Net cash provided by (used in) investing activities	592	756
Net increase (decrease) in cash and cash equivalents	5,082	19,802
Cash and cash equivalents, beginning of year	168,294	148,492
Cash and cash equivalents, end of year	\$ 173,376	\$ 168,294

The accompanying notes are an integral part of these statements.

**Rural Water District Number 4  
Miami County, Kansas**

STATEMENTS OF CASH FLOWS

For the Years Ending December 31,

	<u>2009</u>	<u>2008</u>
Reconciliation of operating income (loss) to net cash provided by (used in) by operating activities:		
Operating (loss)	\$ <u>(79,794)</u>	\$ <u>(63,720)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	37,514	37,141
Amortization	2,170	2,170
Bad debts	932	448
Change in assets and liabilities:		
Accounts receivable (increase) decrease	(1,610)	1,910
Prepaid expenses (increase) decrease	(57)	(81)
Accounts payable increase (decrease)	5,223	(6,359)
Other liabilities increase (decrease)	<u>(585)</u>	<u>279</u>
Total adjustments	<u>43,587</u>	<u>35,508</u>
Net cash provided by (used in) operating activities:	\$ <u><u>(36,207)</u></u>	\$ <u><u>(28,212)</u></u>

The accompanying notes are an integral part of these statements.

**Rural Water District Number 4  
Miami County, Kansas**

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE A - SUMMARY OF ACCOUNTING POLICIES

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

1. Reporting entity

Rural Water District No. 4 Miami County, Kansas (here in after referred to as the District) is a quasi-municipality governed by an elected five-member board. As required by generally accepted accounting principles, these financial statements include all the accounts for which the District is considered to be financially accountable. The District has no component units.

2. Summary of significant accounting policies

In 2004, the District implemented GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* (GASB Statement No. 34), GASB Statement 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus* which provides additional guidance for the implementation of GASB Statement 34, and GASB Statement No. 38, *Certain Financial Statement Disclosures* which changes note disclosure requirements for governmental entities.

GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management’s discussion and analysis, district-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that district-wide financial statements are needed to allow user’s of financial reports to assess a government’s operational accountability. The new GASB model integrates fund-based financial reporting and district-wide financial reporting as complementary components of a single comprehensive financial reporting model.

3. Government-wide and fund financial statements

The government-wide financial statements include the statements of net assets, the statements of activities and statements of cash flows. These statements report financial information for Rural Water District Number 4, Miami County, Kansas as a whole. Individual funds are not displayed but the statements distinguish 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 statement of activities 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 which report fees, fines and forfeitures, and other charges to users of the District’s services; and (2) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included with program revenues would be reported as general revenues.

**Rural Water District Number 4  
Miami County, Kansas**

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE A - SUMMARY OF ACCOUNTING POLICIES – continued

4. Measurement focus, basis of accounting, and financial statement presentation

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

The District-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized when grantor eligibility requirements are met.

Operating income reported in the financial statements includes revenues and expenses related to the primary, continuing operations of the District. Principal operating revenues are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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.

5. Fund types and major funds

*Governmental funds*

The District has no governmental funds.

*Proprietary funds*

The District has one major enterprise fund.

Water fund – accounts for the operating activities of the District's water utilities services.

6. 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.

7. 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.

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 expense as incurred.

**Rural Water District Number 4  
Miami County, Kansas**

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE A - SUMMARY OF ACCOUNTING POLICIES – continued

9. Depreciation

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

Equipment and Lines	40 years
Building	40 years
Furniture and equipment	3 - 10 years
Tower fencing	7 - 20 years

10. Amortization

Costs related to the issuance of water revenue bonds have been recorded as assets and are being amortized on a straight-line basis over the life of the bond.

11. Income tax

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

12. 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.

NOTE B - CASH AND INVESTMENTS

**Deposits** - 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 Government 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 – 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 did not have any designated "peak periods" for the current year. All deposits were legally secured at December 31, 2009 and 2008.

At year-end the carrying amount of the District's deposits including certificates of deposit, was \$656,498 and \$604,903 for 2009 and 2008 respectively. The bank balances were \$656,749 and \$640,761 for 2009 and 2008 respectively. The bank balances were held by two banks resulting in a concentration of credit risk. Of the bank balance, \$500,000 and \$500,000 for 2009 and 2008 respectively was covered by FDIC insurance and \$156,749 and 140,761 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

**Rural Water District Number 4  
Miami County, Kansas**

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE B - CASH AND INVESTMENTS – continued

**Investment Policy** - K.S.A. 12-1675 authorizes the District to invest in time deposits, certificates of deposit, U.S. Treasury bills and notes, repurchase agreements and the State Municipal Investment Pool. All investments must be insured, registered, or held by the District or its agent in the District's name. Since the District's records are maintained on modified cash basis, Statement 1 reports the investment balance at cost and any gain (loss) on investments is recognized at point of sale. The District has no investment policy that would further limit its investment choices.

	First National Bank	Peoples National Bank
Bank balance December 31, 2009	\$ <u>385,509</u>	\$ <u>270,866</u>
FDIC insurance coverage	250,000	250,000
Market value of security deposits	<u>511,875</u>	<u>37,163</u>
Total coverage	<u>761,875</u>	<u>287,163</u>
Funds at risk December 31, 2009	\$ <u>0</u>	\$ <u>0</u>
Bank balance December 31, 2008	\$ <u>378,732</u>	\$ <u>262,029</u>
FDIC insurance coverage	250,000	250,000
Market value of security deposits	<u>1,018,600</u>	<u>72,051</u>
Total coverage	<u>1,268,600</u>	<u>322,051</u>
Funds at risk December 31, 2008	\$ <u>0</u>	\$ <u>0</u>

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets				
Equipment and lines	\$ 1,395,342	\$ 0	\$ 0	\$ 1,395,342
Building	35,081	0	0	35,081
Furniture and equipment	17,322	4,155	0	21,477
Tower fencing	<u>3,462</u>	<u>0</u>	<u>0</u>	<u>3,462</u>
Totals at cost	<u>1,451,207</u>	<u>4,155</u>	<u>0</u>	<u>1,456,362</u>
Accumulated depreciation:				
Equipment and lines	(495,209)	(34,884)	0	(530,093)
Building	(11,666)	(877)	0	(12,543)
Furniture and equipment	(12,623)	(1,591)	0	(14,214)
Tower fencing	<u>(2,409)</u>	<u>(162)</u>	<u>0</u>	<u>(2,571)</u>
Total accumulated depreciation	<u>(521,907)</u>	<u>(37,514)</u>	<u>0</u>	<u>(559,421)</u>
Net capital assets	\$ <u>929,300</u>	\$ <u>(33,359)</u>	\$ <u>0</u>	\$ <u>895,941</u>

**Rural Water District Number 4  
Miami County, Kansas**

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE C – CAPITAL ASSETS continued

Capital asset activity for the year ended December 31, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets				
Equipment and lines	\$ 1,395,342	\$ 0	\$ 0	\$ 1,395,342
Building	35,081	0	0	35,081
Furniture and equipment	17,322	0	0	17,322
Tower fencing	<u>3,462</u>	<u>0</u>	<u>0</u>	<u>3,462</u>
 Totals at cost	 <u>1,451,207</u>	 <u>0</u>	 <u>0</u>	 <u>1,451,207</u>
Accumulated depreciation:				
Equipment and lines	(460,325)	(34,884)	0	(495,209)
Building	(10,789)	(877)	0	(11,666)
Furniture and equipment	(11,405)	(1,218)	0	(12,623)
Tower fencing	<u>(2,247)</u>	<u>(162)</u>	<u>0</u>	<u>(2,409)</u>
 Total accumulated depreciation	 <u>(484,766)</u>	 <u>(37,141)</u>	 <u>0</u>	 <u>(521,907)</u>
 Net capital assets	 <u>\$ 966,441</u>	 <u>\$ (37,141)</u>	 <u>\$ 0</u>	 <u>\$ 929,300</u>

NOTE D - LONG-TERM DEBT

Long-term debt consists of Water System Refunding Revenue Bonds, Series 2001, payable through the Kansas State Treasurer. These bonds were issued April 15, 2001. A portion of the proceeds of the Bonds was used to redeem the District's Water System Revenue Bonds, Series 1991.

Bonds payable balance and activity in 2009 are summarized as follows:

	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Water System Refunding Revenue Bonds, Series 2001 Issued April 15, 2001	\$ <u>95,000</u>	\$ <u>(80,000)</u>	\$ <u>15,000</u>	\$ <u>15,000</u>

Bonds payable balance and activity in 2008 are summarized as follows:

	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Water System Refunding Revenue Bonds, Series 2001 Issued April 15, 2001	\$ <u>170,000</u>	\$ <u>(75,000)</u>	\$ <u>95,000</u>	\$ <u>80,000</u>

**Rural Water District Number 4  
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NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE D - LONG-TERM DEBT – continued

The bonds are secured by the water system and an assignment of revenues. Interest rates for the Series 2001 Bonds range from 3.75% to 4.8% over the life of the bond issue. Interest payments on the Series 2001 outstanding bonds were made in the amount of \$4,208 and \$7,721 during the years ending December 31, 2009 and 2008, respectively.

Maturity of the long-term debt for the next year is as follows:

		Bond Principal		Interest		Total
2010	\$	15,000	\$	720	\$	15,720

Bond issue costs relating to the Series 2001 Bonds were \$20,875. These costs are being amortized over the life of the bonds for 115.5 months. Amortization expense for the years ending December 31, 2009 and 2008 was \$2,170 and \$2,170 respectively.

NOTE E – RESTRICTED CASH AND COMPLIANCE WITH BOND RESERVE REQUIREMENTS

In accordance with the Water System Refunding Revenue Bonds, Series 2001 bond instrument, the District is to maintain a balance of \$55,000 in the Series 2001 Bond Reserve Account. As of December 31, 2009 and 2008 the reserve account had a balance of \$64,007 and \$62,902 respectively.

The District was in compliance with the reserve account balance requirement at December 31, 2009 and 2008. In addition, net income must be at least 110% of principal and interest required to be paid in the next succeeding fiscal year. Net income is defined as all monies received less only operation, maintenance and repair expenses, not to include depreciation charges or any other charges or payments. The District met the net income requirement for 2009 and 2008. The District is obligated to charge sufficient rates and fees to meet this requirement.

NOTE F - COMPENSATED ABSENCES

The District has no written policy on vacation or sick leave concerning carryover or payment in lieu of time off. The District has not estimated any dollar amount for accumulated vacation or sick leave at December 31, 2009 or 2008.

NOTE G – 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. Settlements of claims have not exceeded coverage during the last three fiscal years.

**Rural Water District Number 4  
Miami County, Kansas**

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE H – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary information

The District board adopts an internal budget for the support and maintenance of the District. All budgets are prepared utilizing the accrual basis of accounting. Revenues are recognized when earned. Expenditures include disbursements and accounts payable.

2. Compliance with Kansas Statutes

Management is not aware of any statutory violations for the year ended December 31, 2009 and 2008

SUPPLEMENTARY INFORMATION

**Rural Water District Number 4  
Miami County, Kansas**

SCHEDULE OF REVENUES AND EXPENDITURES  
COMPARED TO BUDGET

December 31, 2009

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
Operating revenues			
Water sales and late charges	\$ 118,154	\$ 119,664	\$ (1,510)
Cost of sales			
Water purchase	<u>80,493</u>	<u>81,070</u>	<u>577</u>
Gross profit	<u>37,661</u>	<u>38,594</u>	<u>933</u>
Operating expenses			
Salaries	33,844	33,086	(758)
Payroll taxes	3,202	3,037	(165)
Contract labor	1,390	2,688	1,298
Repairs and maintenance	5,151	4,452	(699)
Professional fees	4,476	4,440	(36)
County fees	1,339	750	(589)
Business insurance	4,966	3,996	(970)
Dues and subscriptions	0	384	384
Postage	2,428	2,232	(196)
Office expense	1,886	700	(1,186)
Utilities and phone	3,070	2,172	(898)
Testing	352	252	(100)
Supplies	2,612	2,345	(267)
Reimbursed mileage	10,074	7,950	(2,124)
Depreciation	37,514	32,000	(5,514)
Amortization	2,170	2,400	230
Bad debt	932	0	(932)
Meals & travel	517	0	(517)
Building improvements & heater	0	1,000	1,000
Administration	1,531	918	(613)
Total operating expenses	<u>117,455</u>	<u>104,802</u>	<u>(12,652)</u>
Net operating income (loss)	<u>(79,794)</u>	<u>(66,208)</u>	<u>(13,586)</u>
Non-operating revenues (expenses)			
Interest income	11,105	5796	5,309
Interest expense	(4,208)	(8,007)	3,799
Meters sold	0	6,000	(6,000)
Reimbursements for line extensions and relocations	150	1,500	(1,350)
Debt service charge receipts	<u>125,910</u>	<u>126,665</u>	<u>(755)</u>
Total non-operating income (expense)	<u>132,957</u>	<u>131,954</u>	<u>1,003</u>
Changes in net assets	\$ <u>53,163</u>	\$ <u>65,746</u>	\$ <u>(12,583)</u>

**Rural Water District Number 4**  
**Miami County, Kansas**

SCHEDULE OF REVENUES AND EXPENDITURES  
COMPARED TO BUDGET

December 31, 2008

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
Operating revenues			
Water sales and late charges	\$ 120,583	\$ 137,151	\$ (16,568)
Cost of sales			
Water purchase	73,962	84,047	10,085
Gross profit	<u>46,621</u>	<u>53,104</u>	<u>6,483</u>
Operating expenses			
Salaries	32,705	33,579	874
Payroll taxes	3,033	3,008	(25)
Contract labor	2,695	20,000	17,305
Repairs and maintenance	4,456	9,000	4,544
Professional fees	4,078	1,000	(3,078)
County fees	729	750	21
Business insurance	3,318	4,433	1,115
Dues and subscriptions	644	370	(274)
Postage	2,482	3,000	518
Office expense	2,809	2,000	(809)
Utilities and phone	1,938	2,068	130
Testing	248	190	(58)
Supplies	2,324	3,900	1,576
Reimbursed mileage	7,950	8,000	50
Depreciation	37,141	32,000	(5,141)
Amortization	2,170	2,400	230
Bad debt	448	0	(448)
Meals & travel	427	0	(427)
Building improvements & heater	0	500	500
Administration	746	700	(46)
Total operating expenses	<u>110,341</u>	<u>126,898</u>	<u>16,557</u>
Net operating income (loss)	<u>(63,720)</u>	<u>(73,794)</u>	<u>10,074</u>
Non-operating revenues (expenses)			
Interest income	25,327	11,000	14,327
Interest expense	(7,721)	(8,008)	287
Meters sold	0	12,000	(12,000)
Reimbursements for line extensions and relocations	600	1,000	(400)
Debt service charge receipts	126,665	127,000	(335)
Total non-operating income (expense)	<u>144,871</u>	<u>142,992</u>	<u>1,879</u>
Changes in net assets	\$ <u>81,151</u>	\$ <u>69,198</u>	\$ <u>11,953</u>