

**RURAL WATER DISTRICT NO. 2,  
DOUGLAS COUNTY**  
Lawrence, Kansas

REGULATORY BASIS FINANCIAL STATEMENTS  
For the year ended December 31, 2012  
And

INDEPENDENT AUDITOR'S REPORT

...*KL*...

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**RURAL WATER DISTRICT NO. 2, DOUGLAS COUNTY**  
Lawrence, Kansas

TABLE OF CONTENTS

	<u>Page</u>
<b>Independent Auditors' Report on Financial Statements</b>	1-3
Statement 1	
Summary of Cash Receipts, Expenditures and Unencumbered Cash	4
Notes to Financial Statements	5-13
Supplemental information	
Schedule 1	
Summary of Expenditures – Actual and Budget	14
Schedule 2	
Statement of Cash Receipts and Expenditures – Actual and Budget Water Utility Fund	15
Schedule 3	
Balance Sheets	16
Schedule 4	
Statements of Operations	17
Schedule 5	
Summary of Insurance Coverage and Fidelity Bonds	18
Schedule 6	
Schedule of Fixed Asset Additions and Retirements	19
Schedule 7	
Board Members and Officers	20



***Karlin & Long, LLC***  
*Certified Public Accountants*

**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**

To the Board of Directors  
Rural Water District No. 2, Douglas County  
Lawrence, Kansas 66046

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Rural Water District No. 2, Douglas County ("Municipality") as of and for the year ended December 31, 2012, 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 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. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that is free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on the 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 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 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.

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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.

***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 Rural Water District No. 2, Douglas County 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 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.

***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 Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the 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. 2, Douglas County as of December 31, 2012, or changes in financial position and 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 Rural Water District No. 2, Douglas County (“Municipality”) as of December 31, 2012, 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 Supplementary Information***

Our audit was conducted for the purpose of forming opinion on the 2012 fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget and individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the 2012 basic financial statement, however are required to be presented under the provisions of the

*Kansas Municipal Audit and Accounting Guide.* Such information and all other Schedules are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2012 basic financial statement. The 2012 information has been subjected to the auditing procedures applied in the audit of the 2012 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 2012 basic financial statement or to the 2012 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 2012 basic financial statement as a whole, on the basis of accounting described in Note 1.

*Karlin & Long, LLC*

Karlin & Long, LLC  
Certified Public Accountants

Lenexa, KS  
March 18, 2013

**DOUGLAS COUNTY RURAL WATER DISTRICT NO.2**  
**SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH**  
 For the year ended December 31, 2012

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Proprietary Type Funds							
Water Utility	\$ 444,728	\$ -	\$ 533,018	\$ 470,690	\$ 507,056	\$ -	\$ 507,056
Total Reporting Entity	<u>\$ 444,728</u>	<u>\$ 0</u>	<u>\$ 533,018</u>	<u>\$ 470,690</u>	<u>\$ 507,056</u>	<u>\$ 0</u>	<u>\$ 507,056</u>

Composition of Cash

Checking Accounts	\$ 308,499
Savings Accounts	
Petty Cash	
Certificates of Deposit	<u>198,557</u>
Total Reporting Entity	<u>\$ 507,056</u>

The notes to the financial statements are an integral part of this statement.

**RURAL WATER DISTRICT NO.2, DOUGLAS COUNTY**  
Lawrence, Kansas

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – Summary of Significant Accounting Policies**

**Financial Reporting Entity**

Rural Water District No. 2, Douglas County (the District) is a water utility that provides service for domestic, agricultural, and other purposes to rural customers. The district was organized under Kansas law as a quasi-municipal corporation. The District is accounted for as an enterprise fund using the cash basis and budget laws of the State of Kansas. The District's purpose is to acquire water and water rights, to build and acquire pipelines and other facilities, and to operate the same for the purpose of furnishing water to owners and occupants of land located within the District.

**Regulatory Basis Fund Types**

**Business Funds** – funds financed in whole or in part by fees charged to users of the goods or services (i.e. water fund, etc.)

**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 district to use the regulatory basis of accounting.

**Use of Estimates**

The preparation of financial statements in compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

**RURAL WATER DISTRICT NO.2, DOUGLAS COUNTY**  
Lawrence, Kansas

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – Summary of Significant Accounting Policies (continued)**

**Cash and Cash Equivalents**

For the purposes of the summary of cash balances, cash and cash equivalent are defined as demand deposits and certificates of deposit at banks with maturities of three months or less.

**Property and Equipment**

Property and equipment are recorded at cost. Improvements and betterments to existing property and equipment are capitalized. Expenditures for maintenance and repair which do not extend the life of the applicable assets are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Depreciation expense totaled \$ 81,877 for the year ended December 31, 2012.

**Loan Costs**

Loan costs are costs in connection with obtaining a loan from the Kansas Public Water Supply Loan Fund. These costs include the loan origination fee and the financial integrity assurance contract fee. The costs are being amortized over the life of the loan using a straight-line method.

**Benefit Units**

Benefit units are rights that entitle the holder to water service. Benefit units are presently sold for \$ 6,500 and are added directly to equity rather than recognizing these sums as revenues.

**Income Taxes**

The District is considered a tax-exempt entity and is not subject to income taxes at either the federal or state level. The Organization's payroll tax returns for the years ending 2012, 2011, and 2010 are subject to examination by the IRS, generally for three years after they were filed.

In a 1992 published Internal Revenue Service opinion, it was determined that Kansas rural water districts do not qualify as political subdivisions for the purposes of the exemption from payment of FUTA. No claim has been asserted against the District for this tax, nor is the amount of any such claim determinable at this time. Kansas law has been changed, effective March 20, 1992, the result of which causes rural water districts to again qualify as a political subdivision for the purpose of the exemption for payment of FUTA. We are unable to determine at this time whether or not a claim

**RURAL WATER DISTRICT NO.2, DOUGLAS COUNTY**  
Lawrence, Kansas

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – Summary of Significant Accounting Policies (continued)**

**Income Taxes (continued)**

will ultimately be asserted against the District, the likelihood that it would ultimately be held liable for that claim, or the ultimate amount of that claim, if assessed. Consequently, no additional liabilities relating to a possible claim have been recognized.

**NOTE 2 – Stewardship, Compliance and Accountability**

We noted no violations of Kansas Statutes for the period under audit. The amount of expenditures for the water district can exceed the budgeted amount since the board approves all expenses and the district is not subject to the budgetary requirements of K.S.A. 79-2925.

**NOTE 3 – Deposits 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 district is located 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 investments 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 K.S.A. 9-1405.

**RURAL WATER DISTRICT NO.2, DOUGLAS COUNTY**  
Lawrence, Kansas

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – Deposits and Investments (continued)**

**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%. All deposits were legally secured at December 31, 2012.

At December 31, 2012, the District's carrying amount of deposits, including certificates of deposit, was \$ 507,056 and the bank balance was \$ 507,056, of which \$507,056 was covered by FDIC insurance.

**Custodial Credit Risk – Investments**

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

**NOTE 4 – Water Contracts**

The District entered into a water supply contract with the State of Kansas, represented by the Kansas Water Resources Board, which allows the District to withdraw a predetermined amount of water from Clinton Reservoir each year. The Kansas Water Resources Board has the right to review the contract and determine a new rate every year. A minimum of 42.5 million gallons of water must be paid for each year at the established price. Water is also purchased from the City of Lawrence.

**NOTE 5 – Claims and Judgments**

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employee; and natural disasters. The District has purchased commercial insurance for these potential risks. There have been no significant reductions in insurance coverage from 2011 to 2012 and there were no settlements that exceeded insurance coverage in the past three years.

**RURAL WATER DISTRICT NO.2, DOUGLAS COUNTY**  
Lawrence, Kansas

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 – Claims and Judgments (continued)**

During the ordinary course of its operations the District is a party to various claims, legal actions and complaints. It is the opinion of the District's management and legal counsel that these matters are not anticipated to have a material financial impact on the District.

**NOTE 6 – Other Long Term Obligations from Operations**

**Other Post Employment Benefits**

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 local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care 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 to the government under this program.

**NOTE 7 – Concentration of Suppliers**

The District acquires 100% of its water supply from the State of Kansas. The City of Lawrence processes and transports water to Rural Water District #2. There are no other suppliers of water available for the District.

**NOTE 8 – Compliance With Other Finance-Related Legal and Contractual Provisions**

The District is required to maintain a loan reserve amount equal to 10% of the original revenue bond issuance.

**NOTE 9 – Debt Reserve Fund**

In 2010, the District received a loan from the Kansas Public Water Supply Loan Fund (KPWSLF) up to \$ 563,021 (\$ 334,942 outstanding at December 31, 2012) bearing interest at 3.42%. Revenues of the District have been pledged as security. As part of the loan, the District is required to maintain a debt service coverage ratio of 1.25 and establish a loan reserve account in the amount of 10% of the unpaid principal. The District's debt service coverage ratio for 2012 as calculated by the financial worksheet is 6.56 and is shown as follows:

**RURAL WATER DISTRICT NO.2, DOUGLAS COUNTY**  
Lawrence, Kansas

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 – Debt Reserve Fund (continued)**

Revenue over (under) expenditures	\$ 77,010
Depreciation	79,270
Interest expense	<u>12,991</u>
Net Revenue available for Debt Service	169,271
Debt service	<u>25,799</u>
Debt service coverage ratio	<u>6.56</u>

**NOTE 10 – Subsequent Events Review**

Subsequent events for management's review have been evaluated through March 18, 2013. The date in the prior sentence is the date the financial statements were available to be issued.

**NOTE 11 – Long Term Debt**

The following are schedules of the long term debt and current maturities of debt of the District.

NOTE 11-

**DOUGLAS COUNTY RURAL WATER DISTRICT NO.2**

Changes in Long-Term Debt

For the year ended December 31, 2012

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
					2016	2017	2018-2022	2023-2027	2028-2030	Total
State Reserve Fund										
Loan No. 2656	3.42%	6/1/10	\$ 563,021	8/1/30	\$ 347,749	\$	\$ 12,807	\$ (12,807)	\$ 334,942	\$ 11,610
Total Long Term Debt					\$ 347,749	\$ 0	\$ 12,807	\$ (12,807)	\$ 334,942	\$ 11,610
<b>Principal</b>										
General Obligation Bonds	\$		\$		\$		\$		\$	
Special Assessment Bonds										
Certificates of Participation										
Capital Leases										
Revenue Bonds										
SRF Loan		13,296	13,801	14,326	14,871	15,438	86,461	104,213	72,536	334,942
Temporary Notes										
Total Principal		13,296	13,801	14,326	14,871	15,438	86,461	104,213	72,536	334,942
<b>Interest</b>										
General Obligation Bonds										
Special Assessment Bonds										
Certificates of Participation										
Capital Leases										
Revenue Bonds										
SRF Loan		11,342	10,883	10,407	9,912	9,399	38,583	22,478	4,409	117,413
Temporary Notes										
Total Interest		11,342	10,883	10,407	9,912	9,399	38,583	22,478	4,409	117,413
Total Principal and Interest	\$	24,638	24,684	24,733	24,783	24,837	125,044	126,691	76,945	452,355

**RURAL WATER DISTRICT NO.2, DOUGLAS COUNTY**

Summary of Expenditures - Actual and Budget

For the year ended December 31, 2012

Funds	Certified Budget	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Favorable (Unfavorable)
Proprietary Water Utility	\$ 498,545	\$ 0	\$ 498,545	\$ 470,690	\$ 27,855

The notes to the financial statements are an integral part of this statement.

**Rural Water District No. 2, Douglas County**

**Regulatory-Required**

**Supplementary Information**

**For the year ended December 31, 2012**

**DOUGLAS COUNTY RURAL WATER DISTRICT NO. 2**  
**WATER UTILITY FUND**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the year ended December 31, 2012

	Actual
<b>CASH RECEIPTS</b>	
Charges for services	\$ 506,209
Line installation	10,882
Interest income	2,927
Benefit units	13,000
Total Cash Receipts	533,018
<b>EXPENDITURES</b>	
Production	362,392
Capital outlay	83,881
Debt Service	24,417
Operating transfers	0
Adjustment for qualifying budget credits	0
Total Expenditures	470,690
Receipts Over (Under) Expenditures	62,328
Unencumbered Cash, Beginning	444,728
Prior Year Cancelled Encumbrances	0
 Unencumbered Cash, Ending	 \$ 507,056

The notes to the financial statements are an integral part of this statement.

## DOUGLAS COUNTY RURAL WATER DISTRICT NO. 2

## BALANCE SHEETS

As of December 31, 2012 and 2011

	ASSETS	
	<u>2012</u>	<u>2011</u>
Current Assets		
Cash and cash equivalents	\$ 308,499	\$ 247,689
Certificates of deposit	198,557	197,039
Accounts receivable	32,006	36,160
Prepaid expenses	20,407	61,767
Other receivables	-	6,989
	<u>559,469</u>	<u>549,644</u>
Property, plant, and equipment, net	2,344,016	2,342,012
Other Assets		
SRF loan fees net accumulated amortization	8,104	8,559
SRF loan reserve	74,919	74,918
	<u>83,023</u>	<u>83,477</u>
Total Assets	<u>\$ 2,986,508</u>	<u>\$ 2,975,133</u>

## LIABILITIES AND DISTRICT EQUITY

Current Liabilities		
Accounts payable	\$ 12,820	\$ 28,319
Accrued interest payable	4,773	4,955
Customer deposit		1,000
Payroll and sales taxes payable	1,883	2,290
Current portion of long term debt	13,295	12,808
	<u>32,771</u>	<u>49,372</u>
Long Term Liabilities		
SRF loan, net of current portion long term debt	<u>321,646</u>	<u>334,941</u>
Total liabilities	354,417	384,313
District Equity	<u>2,632,091</u>	<u>2,590,820</u>
Total liabilities and member's equity	<u>\$ 2,986,508</u>	<u>\$ 2,975,133</u>

The notes to the financial statements are an integral part of this statement.

## DOUGLAS COUNTY RURAL WATER DISTRICT NO. 2

## STATEMENTS OF OPERATIONS

For the years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Revenues</b>		
Water sales	\$ 479,003	\$ 435,658
New construction	10,882	41,225
Line repair reimbursement		-
Materials and supplies	450	57
Service review	300	391
Customer returns	(6)	(14)
	<u>490,629</u>	<u>477,317</u>
<b>Expenses</b>		
Water purchased	206,359	179,165
Salaries and wages	62,541	59,119
Contract labor	8,895	9,455
Repairs and maintenance	26,577	18,481
Utilities and telephone	12,172	11,622
Insurance and bonds	7,438	8,349
Office supplies	5,676	4,718
Professional and other services	10,524	10,074
Payroll taxes	5,454	5,162
Dues and fees	440	371
Depreciation	81,877	78,820
Amortization	455	455
Mileage and auto expense	9,462	6,358
Board expenses	1,803	748
Continuing education	1,180	540
Operating supplies	9,334	7,961
Rental expense	1,404	1,404
License and fees	473	289
Bank fees	1,210	1,354
Returned checks	328	-
	<u>453,602</u>	<u>404,445</u>
Net income from operations	<u>37,027</u>	<u>72,872</u>
<b>Other Income (Expense)</b>		
Miscellaneous income	1,828	1,566
Interest income	1,099	2,096
ARRA principal forgiveness		-
Interest expense	(11,610)	(13,078)
Loss on investment		-
Penalties	(73)	-
	<u>(8,756)</u>	<u>(9,416)</u>
Other Income/Expense, Net	<u>(8,756)</u>	<u>(9,416)</u>
<b>Net Income</b>	<u>\$ 28,271</u>	<u>\$ 63,456</u>

The notes to the financial statements are an integral part of this statement.

## DOUGLAS COUNTY RURAL WATER DISTRICT NO. 2

## STATEMENTS OF CHANGES IN DISTRICT EQUITY

For the years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
District Equity - Beginning of year	\$ 2,590,820	\$ 2,514,364
Memberships	13,000	13,000
Net Income	<u>28,271</u>	<u>63,456</u>
District Equity - End of year	<u>\$ 2,632,091</u>	<u>\$ 2,590,820</u>

The notes to the financial statements are an integral part of this statement.

## DOUGLAS COUNTY RURAL WATER DISTRICT NO. 2

STATEMENTS OF CASH FLOWS  
For the years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Cash Flows from Operating Activities</b>		
Net Income	\$ 28,271	\$ 63,456
Adjustments to Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities		
Depreciation and amortization	82,332	79,275
(Increase) decrease in accounts receivable	4,154	29,159
(Increase) decrease in other receivables	6,989	(5,965)
(Increase) decrease in prepaid expenses	41,359	(42,356)
Increase (decrease) in accounts payable	(15,499)	25,243
Increase (decrease) in accrued interest	(182)	(3,068)
Increase (decrease) in customer deposit	(1,000)	1,000
Increase (decrease) in taxes payable	(407)	(45)
<b>Net Cash Provided By Operating Activities</b>	<u>146,017</u>	<u>146,699</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of benefit units	13,000	13,000
Proceeds from certificates of deposit	(1,519)	(2,003)
Loss on investments	-	-
Purchase of assets	(83,881)	(79,280)
<b>Net Cash Provided By Investing Activities</b>	<u>(72,400)</u>	<u>(68,283)</u>
<b>Cash Flows from Financing Activities</b>		
Principal payemnts on long term debt	(12,807)	(215,272)
Loan proceeds	-	-
SRF loan fees	-	-
SRF loan reseve	-	-
ARRA principal forgiveness	-	-
<b>Net Cash Provided By Financing Activities</b>	<u>(12,807)</u>	<u>(215,272)</u>
<b>Net Increase (Decrease) In Cash</b>	60,810	(136,856)
<b>Cash - Beginning of Period</b>	<u>247,689</u>	<u>384,545</u>
<b>Cash - End of Period</b>	<u>\$ 308,499</u>	<u>\$ 247,689</u>

The notes to the financial statements are an integral part of this statement.

## DOUGLAS COUNTY RURAL WATER DISTRICT NO. 2

## SUMMARY OF INSURANCE COVERAGE AND FIDELITY BONDS

As of December 31, 2012

Property Covered	Coverage	Expires
Commercial property:	80% Coinsurance	10/6/2013
Radio and antenna	16,322	
Property in the open	16,208	
Building #2 (42'x50' metal shed)	54,009	
Property in the open	4,052	
Booster pumps	32,642	
Property in the open	260,260	
Elevated water tower	732,922	
Extra expense	90,000	
Personal property in office	14,000	
Commercial General Liability:		10/6/2013
Aggregate Limit -		
products/completed operations	1,000,000	
other than products/completed ops	1,000,000	
Personal and advertising injury	1,000,000	
Fire damage (per fire)	100,000	
Medical expense (per person)	5,000	
Inland marine		10/6/2013
Miscellaneous inventory	35,000	
Commercial Auto:		10/6/2013
Liability insurance (per loss)	1,000,000	
Workmen's compensation:		10/6/2013
Bodily injury by accident	500,000	
Bodily injury by disease (per employee)	500,000	
Bodily injury by disease (policy limit)	500,000	
Public Employee Dishonesty:		10/6/2013
Per loss	250,000	
Directors' and Officers' Liability:	1,000,000	10/6/2013

The notes to the financial statements are an integral part of this statement.

## DOUGLAS COUNTY RURAL WATER DISTRICT NO. 2

## SCHEDULE OF FIXED ASSETS ADDITIONS AND RETIREMENTS

As of December 31, 2012

	<u>2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>2011</u>
Rural Water system	\$ 2,464,732	\$ 83,881	\$	\$ 2,548,613
Elevated water tower	730,128			730,128
Land	<u>19,500</u>			<u>19,500</u>
	3,214,360	83,881	-	3,298,241
Less Accumulated depreciation	<u>872,348</u>	<u>81,877</u>		<u>954,225</u>
Proj Water system	<u>\$ 2,342,012</u>	<u>\$ 2,004</u>	<u>\$ -</u>	<u>\$ 2,344,016</u>

The notes to the financial statements are an integral part of this statement.

**DOUGLAS COUNTY RURAL WATER DISTRICT NO. 2****BOARD MEMBERS AND OFFICERS**

As of December 31, 2012

		<b>Term Expires</b>
Chairman:	Arthur Miles 1278 N. 900 Road Lawrence, KS 66046	2013
Vice-Chairman:	Chip Hornberger 933 N. 500 Road Lawrence, KS 66006	2015
Secretary:	Rick Hird 856 E. 1150 Road Baldwin, KS 66006	2013
Treasurer:	Mike Flory 1921 Quail Run Lawrence, KS 66047	2014
Board Member:	John Stevens 795 E 1500 Road Lawrence, KS 66046	2015

The notes to the financial statements are an integral part of this statement.