

Consolidated Rural Water District No. 4

Shawnee County, Kansas

FINANCIAL STATEMENTS

For the years ended December 31, 2014 and 2013

And

INDEPENDENT AUDITOR'S REPORT

Consolidated Rural Water District No. 4

Shawnee County, Kansas

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Consolidated Rural Water District No. 4, Shawnee County, Kansas
Topeka, Kansas 66618

I have audited the accompanying financial statements of the business-type activities of the Consolidated Rural Water District No. 4 as of and for the year ended December 31, 2014 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Consolidated Rural Water District No. 4, Shawnee County, Kansas as of December 31, 2014 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

Another firm had previously audited the financial statements of Consolidated Rural Water District No. 4, Shawnee County, Kansas and expressed an unmodified audit opinion on those audited financial statements in a report dated January 31, 2014. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it was derived.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3-5, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Consolidated Rural Water District No. 4, Shawnee County, Kansas basic financial statements. The Schedule of Insurance in Force 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 statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, I do not express an opinion or provide any assurance on the Schedule.

Huddin CPA, LLC

Huddin CPA, LLC
March 3, 2015

Consolidated Rural Water District No. 4
Shawnee County, Kansas
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Our discussion of the financial performance of Consolidated Rural Water District No. 4, Shawnee County, Kansas (the District), provides an overview of the financial activities of the District for the fiscal year ended December 31, 2014 and comparative data for the years ended December 31, 2014 and December 31, 2013. This information is presented in conjunction with the audited financial statements that follow this section.

The financial statements presented in this report consist of the *statements of net position*, *statements of activities and changes in net position*, and the *statement of cash flows*. The statement of net position provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for assessing the liquidity and financial flexibility of the District. The current year's revenues and expenses are accounted for in the statement of activities and changes in net position. This statement reports the revenues and expenses during the time period indicated and can be used to determine whether the District has successfully recovered all its costs through user fees and other charges. The primary purpose of the statement of cash flows is to provide information about the District's cash receipts and cash payments. This statement reports cash receipts, cash payments, and net changes in cash resulting from activities related to operations, capital and related financing and investing.

Financial Highlights

The District's total assets decreased by \$260,103 from December 31, 2013 to December 31, 2014. This was principally due to the increased accumulated depreciation and the effect that it had on property, plant and equipment.

The District's net position increased by \$435,014 from December 31, 2013 to December 31, 2014. This was principally due to the revenues of water sales exceeding the related costs of providing water service.

The District had income from operations of \$807,442, after recognizing depreciation and amortization expense of \$613,728 in 2014 compared to income from operations of \$776,378, after recognizing depreciation and amortization expense of \$625,691 in 2013.

The District's expense from non-operating revenues (expenses) was 199,039, after recognizing interest expense of \$215,615 and interest income of \$16,576 in 2014 compared to expense from non-operating revenues (expenses) of \$209,220 after recognizing interest expense of \$218,374, amortization expense of \$5,602 and interest income of \$14,756 in 2013.

Total cash on hand at December 31, 2014 was \$2,860,586 which was an increase of \$367,708 over the cash on hand amount of \$2,492,878 on December 31, 2013.

Consolidated Rural Water District No. 4
Shawnee County, Kansas
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the District.

The District's basic financial statements comprise two components: 1) basic financial statements, and 2) notes to financial statements.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the figures provided in the financial statements. The notes to basic financial statements can be found on pages 9-20 of this report.

Net Position

The District's net position invested in capital assets (e.g., land, buildings, infrastructure, and equipment), less any related debt outstanding used to acquire those assets increased by \$284,555 in 2014 when compared to 2013. The District uses these capital assets to provide services to its participating members (customers); consequently, these assets are not available for future spending.

The District's restricted net position is a loan reserve account required for the Water Utility system Revenue Bonds. The reserve account remained the same in 2014 as it was in 2013.

The unrestricted net position may be used to meet the District's ongoing obligations to its customers and creditors. The unrestricted net assets increased by \$150,459 in 2014 over the balance in 2013.

Current Assets

The District's current assets increased by \$372,520 in 2014, largely due to an increase in cash due to the revenues collected exceeding expenditures of the District. The District's current assets increased by \$267,301 in 2013, largely due to an increase in the water rates.

Capital Assets

The District's investment in capital assets for its business-type activities as of December 31, 2014 and 2013 was \$17,062,518 and \$17,517,963 respectively, (net of accumulated depreciation). This includes land, buildings, infrastructure, facilities and equipment.

Additional information on the District's capital assets can be found in Note 11 on pages 15-17 of this report.

Consolidated Rural Water District No. 4
Shawnee County, Kansas
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Current Liabilities

The District's current liabilities increased by \$54,883 in 2014, largely due to an increase in accrued interest of long term debt. See Note 12 in notes to the financial statements discussing the restatement of equity. The District's current liabilities decreased by \$299,838 in 2013, largely due to a decrease in current maturities of long term debt.

Long Term Debt

The District reduced its outstanding debt liability by \$740,000 for the year ended December 31, 2014 as compared to December 31, 2013. The District reduced its outstanding debt liability by \$811,182 for the year ended December 31, 2013 as compared to December 31, 2012.

Economic Factors and Next Year's Budget and Rates

The annual budget outlines Management's plan to carry out the District's mission of providing a safe and dependable supply of potable water for the customers the District serves.

As a product of an ongoing examination of how the District conducts its business, the budget seeks to assure that the District has the necessary funds to accomplish its objectives, while insuring that the rates and charges remain as competitive as possible.

Continued slow growth within the District is anticipated. The potential of City annexation into the District's area is a factor that could have an impact on operations, the Board of Directors continues to monitor and participate in that process.

Requests for Information

This financial report is designed to provide citizens, customers, investors and creditors with a general overview of the District's finances, and to demonstrate the District's financial accountability. If you have any questions about this report or desire any additional information, contact the general manager at 3333 NW Button Road, Topeka, KS 66618 or phone (785) 286-1729.

Consolidated Rural Water District No. 4
Shawnee County, Kansas

STATEMENTS OF NET POSITION
As of December 31, 2014 and 2013

ASSETS

	2014	2013
Current Assets		
Cash	\$ 2,860,586	\$ 2,492,878
Short-term investments	1,462,341	1,459,423
Accounts receivable	182,331	181,216
Inventory	128,885	120,934
Prepaid expenses	-	7,172
Total current assets	4,634,143	4,261,623
Capital Assets		
Land	298,634	298,634
Property, plant and equipment	26,068,834	25,977,871
Accumulated depreciation	(9,304,950)	(8,758,542)
Loan fees	-	182,240
Accumulated amortization	-	(5,062)
Total property and equipment, net	17,062,518	17,695,141
Loan reserve	959,276	959,276
Total noncurrent assets	18,021,794	18,654,417
Total Assets	\$ 22,655,937	\$ 22,916,040

LIABILITIES AND NET POSITION

Current Liabilities		
Accounts payable	\$ 3,214	\$ 47,254
Accrued interest	88,760	2,035
Line extension and meter deposits	12,658	10,460
Current maturities of long term debt	750,000	740,000
Total current liabilities	854,632	799,749
Long term liabilities		
Notes payable, less current portion	9,040,000	9,790,000
Total liabilities	9,894,632	10,589,749
Net Position		
Invested in capital assets, net of related debt	7,272,518	6,987,963
Restricted	959,276	959,276
Unrestricted	4,529,511	4,379,052
Total Net Position	12,761,305	12,326,291
Total Liabilities and Net Position	\$ 22,655,937	\$ 22,916,040

The accompanying notes are an integral part of the financial statements.

Consolidated Rural Water District No. 4
Shawnee County, Kansas

STATEMENTS OF ACTIVITIES AND CHANGES IN NET POSITION
For the years ended December 31, 2014 and 2013

	2014	2013
Revenues		
Water sales	\$ 2,570,525	\$ 2,537,214
Late charges	33,766	36,606
Other fees	53,604	41,010
Total operating revenues	2,657,895	2,614,830
Operating expenses		
Water purchases	58,476	61,678
Analytical services	11,715	1,454
Chemicals	181,794	185,033
Engineering services	10,259	18,129
Fuel	30,995	24,189
Insurance	40,884	41,719
Miscellaneous	10,855	10,658
Office supplies	22,322	40,360
Postage and delivery	25,350	26,769
Professional fees	12,410	12,691
Repairs and maintenance	145,731	164,020
Rent	8,986	9,740
Sales tax	3,333	2,523
Property taxes	1,413	2,954
Telephone	9,660	5,457
Tools and supplies	52,566	34,360
Uniforms	5,141	4,991
Utilities	176,729	158,056
Water protection fees	29,320	21,404
Personnel costs	322,283	316,773
Payroll taxes	23,773	23,787
Employee benefits	52,730	46,016
Depreciation and amortization expense	613,728	625,691
Total operating expenses	1,850,453	1,838,452
Income (loss) from operations	807,442	776,378
Non-Operating revenues (expenses)		
Interest income	16,576	14,756
Interest expense	(215,615)	(218,374)
Loan service fees	-	(5,602)
Total non-operating income (expense)	(199,039)	(209,220)
Net income (loss) before contributions	608,403	567,158
Capital contributions		
Benefit units and aid in construction	105,600	94,500
Change in net position	714,003	661,658
Net position - beginning of year as restated (2014)	12,047,302	11,664,633
Net position - end of year	12,761,305	12,326,291
Prior period adjustment	-	(278,989)
Net position - end of year restated (2013)	\$ 12,761,305	\$ 12,047,302

The accompanying notes are an integral part of the financial statements.

Consolidated Rural Water District No. 4
Shawnee County, Kansas

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Cash receipts from customers and reimbursements for services	\$ 2,658,978	\$ 2,520,542
Cash payments for goods and services	(935,401)	(751,052)
Cash payments to employees for services	(346,056)	(351,236)
Prior period adjustment - non cash transaction	104,477	-
	1,481,998	1,418,254
Net cash provided by operating activities	1,481,998	1,418,254
Cash flows from investing activities		
Interest income	16,576	14,756
Purchase of investments	(2,918)	(3,128)
	13,658	11,628
Net cash provided by investing activities	13,658	11,628
Cash flows from capital and related financing activities		
Reduction in reserve	-	374,519
Payments on notes payable	(740,000)	(1,331,730)
Cash interest paid	(128,890)	(37,430)
Prior period adjustment accrued interest	(88,760)	-
Loan fees paid	-	(51,276)
Proceeds from the sale of benefit units	105,600	94,500
Purchase of capital assets	(275,898)	(232,541)
	(1,127,948)	(1,183,958)
Net cash used in capital and related financing activities	(1,127,948)	(1,183,958)
Net increase in cash and cash equivalents	367,708	245,924
Cash and cash equivalents - beginning of the year	2,492,878	2,246,954
Cash and cash equivalents - end of the year	\$ 2,860,586	\$ 2,492,878
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ 807,442	\$ 776,378
Adjustments to reconcile operating activities to net cash provided by operating activities		
Depreciation and amortization	613,728	625,691
Prior period adjustment	104,477	-
Changes in assets and liabilities		
(Increase)decrease accounts receivable	(1,028)	(16,672)
(Increase)decrease inventory	(7,951)	(1,025)
(Increase)decrease prepaid expenses	7,172	(552)
Increase(decrease) accounts payable	(44,040)	43,525
Increase(decrease) meter deposits	2,198	1,585
Increase(decrease) accrued expenses	-	(10,676)
	-	(10,676)
Net cash provided by operating activities	\$ 1,481,998	\$ 1,418,254

The accompanying notes are an integral part of the financial statements.

Consolidated Rural Water District No. 4
Shawnee County, Kansas
NOTES TO FINANCIAL STATEMENTS

NOTE 1 Summary of Significant Accounting Policies

Organization

Consolidated Rural Water District No. 4, Shawnee County (the District) was organized under Kansas law with the purpose and objective to acquire water and water rights, and to build and acquire pipelines for the purpose of furnishing water for domestic, agriculture, and/or other purposes. The District provides services to patrons located within the District. Effective April 1, 2005, Rural Water District No. 4 of Shawnee County, Kansas consolidated with Rural Water District No. 3 and No. 5 of Shawnee County, Kansas. The benefit units in service at December 31, 2014 and 2013 were 4,623 and 4,599 respectively.

Basis of Accounting

The District's financials are prepared in accordance with generally accepted accounting principles (GAAP) for an enterprise fund.

Statement of Net Position

This statement is designated to display the financial position of the District. The District reports all capital assets, including infrastructure. The net assets of the District will be classified into three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted. Net position represents the difference between assets and liabilities. Net position is reported as being restricted when there are limitations imposed on its use through board action or external restrictions.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to when revenues, expenses and related assets and liabilities are recognized in the accounts and reported in the financial statements. Measurement focus refers to what is being measured. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. With this measurement focus, all assets and all liabilities are included on the statement of net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. The statement of cash flows provides information about how the District meets the cash flow needs of its activities.

Consolidated Rural Water District No. 4
Shawnee County, Kansas
NOTES TO FINANCIAL STATEMENTS

NOTE 1 Summary of Significant Accounting Policies (continued)

Budget

The District prepares its budget for the fiscal year using the same basis of accounting as the financial statements. A comparison of actual to budget is not presented in the financial statements.

Cash and Cash Equivalents

For the purpose of the financial statements the District defines cash and cash equivalents as demand deposits and certificates of deposit at banks with maturities of three months or less.

Investments

The investments represent certificates of deposit. The certificates of deposit are recorded at cost because they are not affected by market rate changes.

Accounts Receivable

The meters in the District are read between the 10th and 20th of each month. All readings are processed and then prepared for mailings on the 1st day of the month following the reading. Payments for water are due the 20th day of the following month or will be subject to a 10% late charge. The base rate charge varies from \$16.50 to \$63.90 based on the size of the water line and usage is billed at a rate of \$4.00 per 1,000 gallons.

The last water rate adjustment was on June 1, 2013.

Inventory

The District's inventory is valued at cost. Cost is determined by the average cost method.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. 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.

Consolidated Rural Water District No. 4
Shawnee County, Kansas
NOTES TO FINANCIAL STATEMENTS

NOTE 1 Summary of Significant Accounting Policies (continued)

Property, Plant, and Equipment - Continued

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period. Depreciation expense totaled \$613,728 and \$625,691 for the years ended December 31, 2014 and 2013, respectively.

Benefits Units

Benefit units are rights that entitle the holder to water service. Benefit units are presently sold for \$3,500 for a 3/4 inch meter, \$4,500 for a 1 inch meter and \$8,100 for a 2 inch meter.

Aid in Construction

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

Net Position

The District's net position are classified as follows:

Invested in capital assets, net of related debt - this represents the District's total investment in capital assets, net of accumulated depreciation and related debt.

Restricted net position - the District's restricted position is comprised of a loan reserve account that is required by the bond indebtedness.

Unrestricted net position - These resources can be used for transactions relating to providing sales and services and general operations of the District and may be used at the discretion of the governing board to meet the current requirements and needs of the District.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Consolidated Rural Water District No. 4
Shawnee County, Kansas
NOTES TO FINANCIAL STATEMENTS

NOTE 1 Summary of Significant Accounting Policies (continued)

Income Taxes

The District is considered a municipality and is therefore a tax-exempt entity and is not subject to income taxes at either the federal or state level.

The District's payroll tax returns for the years ending 2014, 2013, and 2012 are subject to examination by the IRS, generally returns are subject to review for three years after they were filed.

NOTE 2 Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	<u>2014</u>	<u>2013</u>
Cash in Checking	\$ 2,148,799	\$ 1,783,075
Cash in Money Market	711,637	709,653
Petty Cash	150	150
	<u>\$2,860,586</u>	<u>\$ 2,492,878</u>

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 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.

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.

Consolidated Rural Water District No. 4
Shawnee County, Kansas
NOTES TO FINANCIAL STATEMENTS

NOTE 3 Deposits and Investments - Continued

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.

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. All deposits were secured at December 31, 2014 and 2013.

At December 31, 2014 and 2013, the District's carrying amount of deposits, including certificates of deposits was \$ 5,282,203 and \$3,951,301 respectively, and the bank balance was \$5,331,347 and \$3,968,239 respectively, of which \$250,000 was covered by FDIC insurance. The remaining balances for both years were collateralized by securities held in safekeeping pledged to the District.

NOTE 4 Accounts Receivable

Accounts receivable are carried at original billed amount less any estimate made for doubtful receivables based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts.

NOTE 5 Prepaid Expenses

In the prior year prepaid expenses consisted of prepaid insurance. Starting in the 2014 year, the insurance agency no longer required a partial prepayment of the insurance coverage premium.

Consolidated Rural Water District No. 4
Shawnee County, Kansas
NOTES TO FINANCIAL STATEMENTS

NOTE 6 Risk Management

The District is exposed to various risks of loss related to torts, damage to and destruction of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded the commercial coverage in any of the three preceding years. There have not been significant reductions in coverage from prior years. See Schedule of Insurance for details of insurance.

NOTE 7 Compliance with Kansas Statutes

References made herein to the statutes are not intended as interpretation of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and legal representatives of the water District. I noted no violations of Kansas statutes during the years ended December 31, 2014.

NOTE 8 Defined Contribution Plan

The Deferred Compensation Plan is available to all employees of the District. Under the plan, employees may elect to defer a portion of their salaries to the plan. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or other allowable cause. The District has the option of contributing to the plan. In 2014 and 2013, the District contributed 5% of the employees' gross salaries, which was \$11,825 and \$11,498, respectively. Under the terms of IRC Section 457 deferred compensation plans, all deferred compensation and income attributable to the plan are property of the District and subject to the claims of the creditors of the District.

NOTE 9 Line Extensions and Meter Deposits

The District requires developers to pay in advance the cost of constructing lines and renters to pay deposits for water services. The entire balance of \$12,658 and \$10,460 as of December 31, 2014 and 2013 consist of renter deposits.

NOTE 10 Contracts

In 2000, the District entered into a 20 year contract with the City of Topeka, Kansas for the purchase of water. The District purchased 16,153,600 gallons of water from the City in 2014.

Consolidated Rural Water District No. 4
Shawnee County, Kansas
NOTES TO FINANCIAL STATEMENTS

NOTE 10 Contracts – Continued

In 2009, the District entered into a 20 year contract with Rural Water District No. 1. Jackson County, Kansas for the distribution of water. The District sold 52,301,000 gallons of water to Jackson County in 2014.

In late 2014, the District entered into an agreement with Consolidated Rural Water District No. 2, Shawnee County, Kansas for the distribution of water. Currently the Districts are working on the infrastructure/rights necessary to begin water delivery.

NOTE 11 Property, Plant, and Equipment

Capital asset activity for the year ended December 31, 2014 was as follows:

	<u>January 1, 2014</u>	<u>Additions</u>	<u>Adjustments</u>	<u>December 31, 2014</u>
Land	\$ 298,634	\$ -	\$ -	\$ 298,634
Wells	228,149	-	-	228,149
Distribution lines	7,688,631	265,499	(165,721)	7,788,409
Meters	723,112	-	-	723,112
Structures	3,771,195	-	-	3,771,195
Equipment	421,096	-	-	421,096
Plumbing	41,380	-	-	41,380
Purification	6,806	-	-	6,806
Furniture & fixtures	15,894	-	-	15,894
Miscellaneous	4,870	300	-	5,170
Construction interest	19,214	-	(19,214)	-
Plant additions	599,179	10,099	-	609,278
Water treatment plant	12,458,345	-	-	12,458,345
	<hr/>	<hr/>	<hr/>	<hr/>
Total Capital Assets	26,276,505	275,898	(184,935)	26,367,468
Less				
Accumulated Depreciation	<u>(8,758,542)</u>	<u>(613,728)</u>	<u>67,320</u>	<u>(9,304,950)</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Property and equipment, net	<u>\$ 17,517,963</u>	<u>\$ (337,830)</u>	<u>\$ (117,615)</u>	<u>\$ 17,062,518</u>

Depreciation expense for the year ended December 31, 2014 was \$613,728.

Consolidated Rural Water District No. 4
Shawnee County, Kansas
NOTES TO FINANCIAL STATEMENTS

NOTE 11 Property, Plant, and Equipment - Continued

Capital asset activity for the year ended December 31, 2013 was as follows:

	<u>January 1, 2013</u>	<u>Additions</u>	<u>Adjustments</u>	<u>December 31, 2013</u>
Land	\$ 298,634	\$ -	\$ -	\$ 298,634
Wells	228,149	-	-	228,149
Distribution lines	7,688,631	-	-	7,688,631
Meters	723,112	-	-	723,112
Structures	3,771,195	-	-	3,771,195
Equipment	385,057	36,039	-	421,096
Plumbing	41,380	-	-	41,380
Purification	6,806	-	-	6,806
Furniture & fixtures	15,894	-	-	15,894
Miscellaneous	4,870	-	-	4,870
Construction interest	19,214	-	-	19,214
CIP	402,677	196,502	-	599,179
Water treatment plant	12,458,345	-	-	12,458,345
	<hr/>	<hr/>	<hr/>	<hr/>
Total Capital Assets	26,043,964	232,541	-	26,276,505
Less				
Accumulated Depreciation	(8,132,581)	(625,961)	-	(8,758,542)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Property and equipment, net	<u>\$ 17,911,383</u>	<u>\$ (393,420)</u>	<u>\$ -</u>	<u>\$ 17,517,963</u>

Depreciation expense for the year ended December 31, 2013 was \$625,691

Consolidated Rural Water District No. 4
Shawnee County, Kansas
NOTES TO FINANCIAL STATEMENTS

NOTE 11 Property, Plan, and Equipment - Continued

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

	Capitalization Policy	Depreciation Method	Useful Life
Wells	\$5,000	Straight Line	10 to 20 years
Distribution lines	5,000	Straight Line	10 to 20 years
Meters	5,000	Straight Line	40 years
Structures	5,000	Straight Line	10 years
Equipment	5,000	Straight Line	10 to 30 years
Plumbing	5,000	Straight Line	3 to 10 years
Purification	5,000	Straight Line	10 to 20 years
Furniture & fixtures	5,000	Straight Line	3 to 10 years
Miscellaneous	5,000	Straight Line	3 to 10 years

The District will use the above table to determine capitalization but can capitalize items below the threshold at its discretion.

NOTE 12 Restatement of Equity

In 2014 it was determined that an adjustment to accrued interest was required. Additionally, it was determined that an adjustment was needed to eliminate the prior period's unamortized balance of deferred bond costs. The effects of which are as follows:

Net Position – December 31, 2013	\$12,326,291
Prior Period Adjustment	<u>(278,989)</u>
Net Position – December 31, 2013, Restated	<u>\$12,047,302</u>

Consolidated Rural Water District No. 4
Shawnee County, Kansas
NOTES TO FINANCIAL STATEMENTS

NOTE 13 Accrued Liabilities

	<u>2014</u>	<u>2013</u>
Accrued interest	\$88,760	\$2,035

Accrued liabilities consisted of accrued interest as of December 31, 2014 and 2013.

NOTE 14 Long Term Debt

In 2000, the District received a loan from the Kansas Public Water Supply Loan Fund (KPWSLF) for up to \$915,770. The first payment was made in August 2000 and the District made all applicable semi-annual principal and interest payments until it was refinanced in 2013.

In 2008, the District received another loan from KPWSLF for up to \$12,500,000 for the construction of a Water Treatment Plant. Advances on this loan began in 2008. The first payment was made in February, 2010 and the District made all applicable payments of semi-annual principal, interest and service fee payments until the debt was refinanced in 2013.

In 2013, the District issued Water System Revenue Bonds to refinance the debt. The total amount of the bonds was \$10,910,000 with Series A being \$9,790,000 and Series B being \$1,120,000. The interest rate ranges from .65% to 2.70%. Payments are made semi-annually on February 1 and August 1 through 2027. The balance of the debt at December 31, 2014 and 2013 was \$9,790,000 and \$10,530,000, respectively. Revenues of the District have been pledged as security.

As part of the loan agreements, the District is required to maintain a debt service coverage ratio of 1.15 and establish a loan reserve account in the amount of 10% of the total issue. In 2014 the debt service coverage ratio was 1.50, in 2013 the debt service ratio was 1.90.

Long-term debt consists of the following at December 31, 2014.

Date Issued	<u>Original Amount</u>	<u>Outstanding Jan 1, 2014</u>	<u>Additions</u>	<u>Payments</u>	<u>Outstanding Dec 31, 2014</u>
2013	\$ 9,790,000	\$ 9,790,000	\$ -	\$ -	\$ 9,790,000
2013	1,120,000	740,000	-	(740,000)	-
Totals	<u>\$10,910,000</u>	<u>\$10,530,000</u>	<u>\$ -</u>	<u>\$(740,000)</u>	<u>\$ 9,790,000</u>

Interest expense on outstanding debt for the year ended December 31, 2014 was \$215,615.

Consolidated Rural Water District No. 4
Shawnee County, Kansas
NOTES TO FINANCIAL STATEMENTS

NOTE 14 Long Term Debt - Continued

Long-term debt consists of the following at December 31, 2013:

Date Issued	Original Amount	Outstanding Jan 1, 2013	Additions	Payments	Outstanding Dec 31, 2014
9/12/1998	\$ 915,770	\$ 432,010	\$ -	\$ (432,010)	\$ -
5/8/2008	12,500,000	11,062,500	-	(11,062,500)	-
2013A	9,790,000	-	9,790,000	-	9,790,000
2013B	1,120,000	-	1,120,000	(380,000)	740,000
Totals	<u>\$24,325,770</u>	<u>\$11,494,510</u>	<u>\$ 10,910,000</u>	<u>\$ (11,874,510)</u>	<u>\$ 10,530,000</u>

Interest expense on outstanding debt for the year ended December 31, 2013 was \$218,374.

Future maturities of long-term debt are as follows as of December 31, 2014:

Year Ending December 31	Principal Due	Interest Due	Total
2015	\$ 750,000	\$ 209,275	\$ 959,275
2016	765,000	194,225	959,225
2017	780,000	178,825	958,825
2018	795,000	163,175	958,175
2019	810,000	147,175	957,175
2020-2024	3,995,000	491,690	4,486,690
2025-2027	1,895,000	67,610	1,962,610
Totals	<u>9,790,000</u>	<u>1,451,975</u>	<u>11,241,975</u>

Debt service coverage ratio (required to be 1.15) is calculated as follows:

	2014	2013
Total revenues	\$ 2,674,471	\$ 2,629,586
Total expenses	(2,066,068)	(2,062,428)
Plus depreciation	613,728	625,691
Plus Interest expense	215,615	218,374
Total revenue available for debt service	<u>1,437,746</u>	<u>1,411,223</u>
Total annual debt service for the year	<u>957,650</u>	<u>744,624</u>
Debt service ratio	<u>1.50</u>	<u>1.90</u>

Consolidated Rural Water District No. 4
Shawnee County, Kansas
NOTES TO FINANCIAL STATEMENTS

NOTE 15 Invested in Capital, Net of Related Debt

The following represents the net position of the District, invested in capital, net of debt:

	<u>2014</u>	<u>2013</u>
Property, plant and equipment net of accumulated depreciation	\$ 17,062,518	\$ 17,517,963
Debt outstanding at year end	<u>(9,790,000)</u>	<u>(10,530,000)</u>
Invested in Capital, net of related debt	<u>\$ 7,272,518</u>	<u>\$ 6,987,963</u>

NOTE 16 Concentrations of Credit Risk

The District is engaged in the sale of water to customers located in Shawnee, Jefferson and Jackson Counties in Kansas.

NOTE 17 Compensated Absences

The District has a paid time off policy program for employees, which includes vacation, sickness or other personal needs. Full-time employees with one year of service are eligible for two weeks of vacation. All employees accrue a 1/2 day of sick leave for every month of service and up to 30 days of sick leave can be retained, no accrued vacation or sick leave is included in these financial statements as management believes the amount is immaterial. The District's policy is to recognize the costs of compensated absences when actually paid to employees.

NOTE 18 Commitments and Contingencies Litigation

The District's management and legal counsel anticipate that the potential claims against the District not covered by insurance, if any, would not materially affect the financial position of the District.

NOTE 19 Subsequent Events Review

Subsequent events for management's review have been evaluated through March 3, 2015 the date the financial statements were available to be issued.

Consolidated Rural Water District No. 4
Shawnee County, Kansas
SCHEDULE OF INSURANCE IN FORCE
As of December 31, 2014
(Unaudited)

Coverage Type	Coverage Amount	Policy Expiration Date
General liability	2,000,000	July 12, 2015
Aggregate Limit	1,000,000	
Personal and advertising injury	1,000,000	
Medical expense (per person)	5,000	
Commercial property	100% Coinsurance	July 12, 2015
Building and personal property		
Water towers and equipment	17,257,400	
Linebacker coverage		July 12, 2015
Each loss	1,000,000	
Aggregate	1,000,000	
Workmen's compensation		July 12, 2015
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		July 12, 2015
Treasurer excess	730,000	
Employees	70,000	
Inland marine	80% Coinsurance	July 12, 2015
Commercial auto		July 12, 2015
Liability insurance	1,000,000	
Uninsured motorists	1,000,000	
Underinsured motorists	1,000,000	
Commercial umbrella		July 12, 2015
General aggregate	2,000,000	
Personal and advertising injury	1,000,000	
Aggregate limit	1,000,000	