

**RURAL WATER DISTRICT NO. 1
WASHINGTON COUNTY, KANSAS
HANOVER, KANSAS**

Financial Statements
With
Independent Auditors' Report
DECEMBER 31, 2014

BRUNA AUDITING SERVICES LLC
DEREK BRUNA
CERTIFIED PUBLIC ACCOUNTANT
WASHINGTON, KANSAS

**RURAL WATER DISTRICT #1
WASHINGTON COUNTY, KANSAS
HANOVER, KANSAS**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Washington County Rural Water District No. 1
Hanover, Kansas 66945

I have audited the accompanying financial statements of Washington County Rural Water District No. 1 (WCRWD No. 1) which comprise the Statement of Net Position as of and for the year ended December 31, 2014, and the related Statement of Revenues, Expenses, and Changes in Fund Net Position, and Cash Flows for the year then ended, 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 accounting principles generally accepted in the United States of America and the *Kansas Municipal Audit Guide* (KMAAG); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statement based on my audit. I conducted my 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 I 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 statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Opinion

In my opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of the WCRWD No. 1, as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 12 through 15 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 management's response to our 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.

Bruna Auditing Services LLC



Derek Bruna, CPA

Washington, Kansas

February 09, 2015

WASHINGTON CO. RURAL WATER DISTRICT #1

STATEMENT OF NET POSITION

December 31, 2014

PRIMARY GOVERNMENT-BUSINESS TYPE ACTIVITIES

ASSETS	
CURRENT ASSETS	
United Bank And Trust MMDA	\$ 265,360
Bank of Palmer CD 160K	178,343
Bank of Palmer CD	56,495
Citizens State Bank	105,182
Citizens State Bank-CD	155,469
First Commerce Bank	242,284
Petty Cash	235
Accounts Receivable	(2,025)
Inventories	94,760
Prepaid Expenses	5,909
Prepaid Insurance	13,331
TOTAL CURRENT ASSETS	\$ 1,115,341
NONCURRENT ASSETS	
Bond Reserve Account	\$ 0
DEFERRED OUTFLOWS OF RESOURCES	
	\$ -
CAPITAL ASSETS	
Alternate Source Water	\$ 6,640
Equip & Water System: River Crossing	158,248
Equip & Water System: Well Field	1,217,032
Equip & Water System: Equipment & Water System	3,663,015
Equip & Water System: Land & Easements	81,631
Equip & Water System: Office & Shop Building	193,028
Equip & Water System: Office Furniture & Equipment	21,809
Equip & Water System: Vehicles	141,101
Equip & Water System: Other	4,960
Bond Issuance Cost	25,498
Accumulated Amortization Depreciation	(5,100)
Accumulated Depreciation-Equipment and Water System	(3,270,023)
Accumulated Depreciation-Office & Shop Building	(39,893)
Accumulated Depreciation- Office Equipment	(17,482)
Accumulated Depreciation-Vehicles	(110,819)
NET CAPITAL ASSETS	\$ 2,069,644
TOTAL ASSETS	\$ 3,184,985
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accounts Payable	\$ (2,359)
Health Insurance Liability	812
Bonds-Current Portion	65,000
Interest Payable	15,140
Payroll Liabilities: Unemployment Tax	29
Payroll Liabilities: Kansas Withholding Tax	0
Payroll Liabilities: Other	(4,317)
Sales Tax Payable	402
Water Protection Payable	422
TOTAL CURRENT LIABILITIES	\$ 75,129
LONG-TERM LIABILITIES	
Bonds	\$ 1,400,000
TOTAL LONG-TERM LIABILITIES	\$ 1,400,000
TOTAL LIABILITIES	\$ 1,475,129
DEFERRED INFLOWS OF RESOURCES	
	\$ -
NET POSITION	
Invested in Capital Assets Net of Related Debt	\$ 613,875
Restricted for Debt Service	169,500
Unrestricted	926,481
TOTAL NET POSITION	\$ 1,709,856
TOTAL LIABILITIES AND NET POSITION	\$ 3,184,985

See accompanying notes to the financial statements

WASHINGTON CO. RURAL WATER DISTRICT #1
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014

	December 31, 2014
OPERATING REVENUES	
Collection Fees	\$ 725
Freeze Pad	96
Late Penalty	7,464
Maintenance Fee	153,152
Miscellaneous	4,968
Reading Meter	5,740
Transfer Fees	275
Water Line Reimbursement	2,854
Water Sales	401,467
TOTAL SALES	\$ 576,741
OPERATING EXPENSES	
IDT	\$ 76,898
Auditing, Geologists & Legal	3,049
Bank Charges	79
Chemicals	9,454
Depreciation/Amorization	170,578
Dues	607
Equipment: Maintenance & Repairs	9,072
Insurance: Employee H & A	14,894
Insurance: Other	643
Insurance: Liability	25,586
Leak Reporting	370
Lease	50
Meeting Expense	10,891
Mileage	491
Miscellaneous Expense	2,606
Office Expense	6,582
Payroll Expenses	10,921
Postage	2,694
Preventative Maintenance	441
Repairs & Maintenance: Equipment Use on Repairs	229
Repairs & Maintenance: Mowing	4,150
Repairs & Maintenance: Supplies	21,058
Repairs & Maintenance: Other	6,311
Retirement Expense	12,580
Salaries	136,360
Shop Expenses	3,623
Taxes: Clean Drinking Water Fee	1,885
Truck Expense: Gas	13,774
Truck Expense: Maintenance	2,979
Truck Expense: Repairs	(545)
Truck Expense: Repairs-92 Ford Ranger	90
Truck Expense: Other	3,459
Utilities: Electricity	38,843
Utilities: Telephone: Darrell's Cell	646
Utilities: Telephone: Darrell's Home	372
Utilities: Telephone: Office	1,022
Utilities: Telephone - Other	(141)
Utilities: Trash	728
Utilities: Water & Sewer	409
Utilities: Utilities - Other	(708)
Water Testing	2,571
Tank Maintenance	2,782
Farm Taxes & Repairs	890
Interest Expense	61,779
TOTAL OPERATING EXPENSES	\$ 661,053
NET ORDINARY INCOME	\$ (84,312)
OTHER INCOME (EXPENSE)	
Farm	\$ 4,500
Interest Income: Citizens State Bank	4,899
Interest Income: First Commerce	484
Interest Income: United	7,341
TOTAL OTHER INCOME (EXPENSE)	\$ 17,224
CHANGE IN NET POSITION	\$ (67,087)
NET POSITION, BEGINNING OF PERIOD	1,758,729
CAPITAL CONTRIBUTIONS, ADJUSTMENT/BENEFIT UNIT	18,214
NET POSITION, END OF PERIOD	1,709,856

See accompanying notes to the financial statements

WASHINGTON CO. RURAL WATER DISTRICT #1
 STATEMENT OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 2014

	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts	
Other receipts farm	\$ 573,803
Cash payments for goods and services	4,500
	(499,881)
	<u>78,422</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash payments for equipment, well field, etc.	(11,898)
Cash payment for alternative source of water	10,391
Cash payment for adjustment, benefit unit	18,214
Cash payments for retiring bond debt	(65,000)
	<u>(48,293)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	
CASH FLOWS FROM INVESTING ACTIVITIES	
Net (deposits) withdrawals to investments	0
Interest received	12,724
	<u>12,724</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	42,853
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	960,514
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ <u>1,003,367</u>

See accompanying notes to the financial statements

WASHINGTON CO. RURAL WATER DISTRICT #1
 STATEMENT OF CASH FLOWS - CONTINUED
 Year Ended December 31, 2014

	2014
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	\$
Operating income (loss)	(79,812)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	170,578
Change in assets and liabilities:	
(increase) decrease in accounts receivable	(2,938)
(increase) decrease in prepaid insurance	(717)
(increase) decrease in prepaid expenses	3,270
(increase) decrease in inventory	(8,116)
increase (decrease) in accounts payable	(3,843)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ <u>78,422</u>

See accompanying notes to the financial statements

**RURAL WATER DISTRICT NO. 1
WASHINGTON COUNTY, KANSAS
Hanover, Kansas**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: Rural Water District No. 1, Washington County, Kansas (the District) was organized under Kansas statutes for the purpose of providing a water supply system for landowners within the area of the District. The District is a Kansas municipality and is exempt from federal and state income taxes. It is governed by an elected seven-member board of directors.

Basis of Accounting: The financial statements are presented on the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP). Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Basis of Presentation: WCRWD No. 1 is accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets and liabilities are included in the Statement of Position.

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 amounts reported in the financial statements and accompanying notes. Actual results may differ significantly from such estimates and assumptions.

Cash and Equivalents/ Investments: Cash includes all monies in the bank and highly liquid investments with maturity dates of less than three months. The carrying value of cash approximates fair value because of the short maturities of those instruments. Investments are stated at cost and consist of certificates of deposit which have an original maturity date longer than three months. All investments are in financial institutions insured by the FDIC. Investments in excess of \$250,000 FDIC insurance are collateralized with bank instruments.

A breakdown of cash and investments:

United Bank MMDA account	\$265,360	
Bank of Palmer CD	\$178,343	
Bank of Palmer CD	\$56,495	
Citizens State Bank	\$105,182	
Citizens State Bank CD	\$155,469	
First Commerce Bank	\$242,284	
Petty Cash	\$235	
Total		\$1,003,367 carrying amount of deposits

Accounts Receivable: Accounts receivable are stated net of any credit balances. All accounts receivable as of December 31, 2014 are considered collectible and in fact the district is overpaid currently.

Inventory: Inventory is stated at the lower of cost (first-in, first-out method) or market. Inventory amounts include materials for expansion of the water system. As the materials are used, they are charged to the property or capitalized appropriately.

Capital Assets: Depreciation of property and equipment for financial statement purposes is computed using the straight-

**RURAL WATER DISTRICT NO. 1
WASHINGTON COUNTY, KANSAS
Hanover, Kansas**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

line method over the estimated useful lives of the assets. Please refer to Note B for breakdown of capital assets and useful lives information.

The Statement of Cash Flows was prepared with the Direct Method and a reconciliation of net income to net cash provided by operating activities has been provided.

The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The District distinguishes between operating and non-operating revenues and expenses in its Statement of Revenues, Expenses and Changes in Net Position. For this purpose, the District's operating revenues result from providing low-income housing services such as tenant rent and other tenant charges. Operating expenses include the cost attributed to administration, tenant services, utilities, maintenance and operations and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

The financial statements are presented in accordance with GASB 63 and 65. However, these net position accounts only reflect the basic top-level financial statements. *GASB Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (GASB 34)* requires that governmental funds be presented in a balance sheet format.

Amortization Issuance costs of bonds are amortized under the straight line method over the life of the bonds.

Risk Management: The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters for which the Authority purchases commercial insurance. During the year ended December 31, 2014 the District did not reduce insurance coverage from levels in place during the prior year. No settlements have exceeded coverage levels in place during the past three fiscal years.

Prepaid balances are for payments made by the District in the current year to provide services occurring in the subsequent fiscal year and include but are not limited to fuel, prepaid insurance, engineering fees, etc.

Investment Income: Investment Income for the year ended December 31, 2014 was \$12,724, which was all interest on bank deposits.

Revenues/Expenses: The major categories of revenue and expense items, water sales and activities, operating expenses, administrative expenses, etc. are shown separately on the face of the Statement of Revenues, Expenses and Changes in Fund Net Position.

Bond Payable: A resolution of Rural Water District No. 1, Washington County, Kansas, approving the issuance by The Kansas Rural Water Finance Authority of \$1,695,000 aggregate principle amount of Kansas Rural Water Finance Authority Revenue Bonds, Series B, 2010, (Rural Water District No. 1, Washington County, Kansas) to provide financing for the construction and acquisition of certain water distribution system improvements of said rural water district; authorizing the execution of a promissory note, pledge of revenues agreement and ancillary financing documents between said rural

**RURAL WATER DISTRICT NO. 1
WASHINGTON COUNTY, KANSAS
Hanover, Kansas**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

water district and the Kansas Rural Water Finance Authority dates as of July 1, 2010, which contain certain covenants and provisions respecting the operation and revenues of the district's water distribution system and other matters relating thereto which will provide for the payment of such bonds. As of December 31, 2014, all \$1,695,000 had been received. Please Refer to Management Discussion and Analysis and Table 2 for more information pertaining to Bond Issuance.

Net Position: The fund financial statements utilize a net position presentation. Net position amounts are categorized as net invested in capital assets and unrestricted.

GASB 40 Disclosures

Custodial Credit Risk-Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- a. Uncollateralized,
- b. Collateralized with securities held by the pledging financial institution, or
- c. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

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. Please refer to Cash and Equivalent note for allocation of deposits.

Bond Reserve Account: Kansas Department of Health and Environment requires a 10% reserve account of the issuance of the bond. That amount is \$169,950 and is shown as a restricted asset.

Use of Restricted/Unrestricted Net Assets: When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy is to apply restricted assets first.

Net revenues of the District have been pledged as security for the debt, and the District is required to have net revenues, as defined in the debt agreements, in each year of at least 125% of that year's principal and interest payment requirements. This requirement was not met for the year ended December 31, 2014.

Defined Benefit Pension Plan: *Plan description.* The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, etc. seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 and K.S.A. 74-4921 establish the KPERS member-employee contribution rates at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers.

Subsequent Events: The financial statements considered subsequent events through February 9, 2015 the date the financial statements were available to be issued as management reviewed events through aforementioned date.

WASHINGTON COUNTY RURAL WATER DISTRICT NO. 1 - HANOVER, KANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2014

Table 2

STATEMENT OF CHANGES IN LONG - TERM DEBT

For the Year Ended December 31, 2014

<u>Issue</u>	<u>Interest Rate</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance</u>		<u>Reductions/ Payments</u>	<u>Additions</u>	<u>Net Change</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
				<u>Beginning of Year</u>	<u>Year</u>					
Revenue Bond B										
Series 2010	1.0-4.6%	\$ 1,695,000	10/1/2030	\$ 1,530,000	\$ 0	-\$65,000	\$ 0	-\$65,000	\$ 1,465,000	\$ 61,779

Principle Payments Made

2011	\$40,000
2012	\$60,000
2013	\$65,000
2014	\$65,000

Total \$230,000

WASHINGTON COUNTY RURAL WATER DISTRICT NO. 1 MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014

This section of the Washington County Rural Water District No. 1's annual financial report presents analysis of the Districts' financial performance during the fiscal year ended on December 31, 2014. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this *Management Discussion and Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. The District's financial statements are presented as one fund level financial statements because the District operates with a single fund.

Required Financial Statements

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the District's creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Position. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

The budgetary comparison is presented with the financial statements, and such information is required by GASB, who considers it to be an integral part of financial reporting for the users of the financial statements. Along with this MD&A, they should be used concurrently with financial statements taken as a whole.

FINANCIAL HIGHLIGHTS AND ANALYSIS

Please refer to the attached table which shows a Condensed Statement of Net Position and Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position.

Net position may serve, over time, as a useful indicator of a government's financial position. The Statement of Net Position has been prepared implementing GASB 63 and 65. The financial element "net position" replaces the term "net assets." Net assets represented the difference between assets and liabilities. Net position represents the difference between a.) assets and deferred outflows of resources, and b.) liabilities and deferred inflows of resources. The entity does not have any deferred inflows or outflows of resources to report on the Statement of Net Position. In the case of the Authority, the total net position as of year ended December 31, 2014 was \$1,709,856. The net position is comprised of Net Investment in Capital Assets of \$613,875, Restricted Bond Reserves of \$169,500 and Unrestricted Amounts of \$926,481. This represents a decrease of \$48,873 from the previous year end, which is a decrease from \$1,758,729 or 1.37%. The majority of the decrease is from a high amount of

WASHINGTON COUNTY RURAL WATER DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014

depreciation expense on assets placed into service. The amount of depreciation expense is in excess of the "equity" that the bond payment initiated.

Current assets increased \$51,353, with the balance in liquid accounts up \$42,853. Operating revenues were increased \$37,160 and the capital contributions for benefit units were the driving forces behind such increase. Accounts receivable have stayed relatively constant which shows management is staying on top of billing and doing a good job of collecting.

Current liabilities decreased \$3,843, which is caused by the timing of billing and payments and not a cause for concern one way or the other.

Unrestricted amounts of net position were \$926,481 for the year ended. It was good to see this number increase this year after falling the year before. Unrestricted amounts of net position represent the amount available to be used to meet the Authority's ongoing obligations to creditors and operations of facilities. The Authority has sufficient funds to meet requirements for cash outlays in the next fiscal years as well as the financial capacity to sustain operations. At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal years.

A large portion of the Authority's net position reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Authority uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending. The Net Investments in Capital Assets decreased due to more depreciation expense being claimed than capital assets purchased this fiscal year. The amount invested in capital assets for the year ended were \$11,898, while the previous year amount was \$81,938. Again, depreciation expense was relatively constant and increased a minor amount due to the new assets being placed in service. Depreciation amounted to \$170,153 for 2013, while it was \$170,578 for 2014. The expenditures for the period were primarily project oriented. Please see the Condensed Tables as well as Table 1 in the Notes for a breakdown of the capital assets being utilized by the District.

While the Statement of Net Position shows the change in financial position of assets, the Statements of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes.

Operating loss for the Authority was (\$84,312) for the year ended December 31, 2014. This is a decrease from the prior year. The driving number behind this number when comparing to the prior year is the expense being claimed for \$76,898 for IDT. Without this expense, the operating loss would have decreased significantly. After adding in other farm income and interest income the aggregate loss for the year is (\$67,087). Again, without the IDT expense, this number would have been positive, even with depreciation expense being claimed.

Total operating expenses for the Authority were \$66,053 for the year ended. This was a 75,525 increase, but the sole cause of this is the aforementioned IDT expense category.

The statement of cash flows shows an increase in cash and equivalents from \$960,514 to \$1,003,367.

The bond payable has been put in the financials, and the cost of issuance has also been put in as an asset to amortize over the life of the bond. The proceeds from the bond have either been spent on assets, or are in the United Bank and Trust account. The amount of unrequested funds is currently being held in an insured account, and can be requested per the District's needs. The money spent on the well fields and river crossing projects can be verified respectively on the balance sheet. There have been three payments made, and \$230,000 of principle has been paid off and currently the bond is on the books at the current portion of \$65,000 and the long term portion showing 1,400,000 for a total of 1,465,000. Also, interest was accrued on the bond, and put in as an expense as a year-end adjustment. The portion payable within the upcoming fiscal year will be shown as a short-term liability and the

WASHINGTON COUNTY RURAL WATER DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014

balance will remain a long-term liability. More information regarding the issuance of the bond can be found in Note Table 2 of the notes to the financial statements.

CAPITAL ASSET

Capital Assets – The Water District's investment in capital assets as of December 31, 2014 amounts to \$2,069,644 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment well fields, projects and construction in progress.

Additional information on the District's capital assets can be found in Note A and Table 1 of the notes to the financial statements of this report.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Mr. Darryl Schlabach, Washington County Rural Water District No. 1, 101 S Bern Street, Hanover, KS 66945.

WASHINGTON COUNTRY RURAL WATER DISTRICT NO. 1 - HANOVER, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014

FINANCIAL ANALYSIS - 2014

CONDENSED STATEMENTS OF NET POSITION

	<u>FY 2014</u>	<u>FY 2013</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current/other assets	\$ 1,115,341	\$ 1,063,988	\$ 51,353	4.83%
Capital assets	<u>2,069,644</u>	<u>2,238,713</u>	<u>-169,069</u>	<u>-7.55%</u>
Total Assets	<u>3,184,985</u>	<u>3,302,701</u>	<u>-117,716</u>	<u>-3.56%</u>
Deferred Outflows of Resources	0	0	0	0.00%
Current/other liabilities	75,129	78,972	-3,843	-4.87%
Long Term liabilities	<u>1,400,000</u>	<u>1,465,000</u>	<u>0</u>	<u>0.00%</u>
Total Liabilities	<u>1,475,129</u>	<u>1,543,972</u>	<u>-68,843</u>	<u>-4.46%</u>
Deferred Inflows of Resources	0	0	0	0.00%
Net Position				
Net invested in capital assets	613,875	708,713	-94,838	-13.38%
Restricted	169,500	169,500	0	0.00%
Unrestricted	<u>926,481</u>	<u>880,516</u>	<u>45,965</u>	<u>5.22%</u>
Total Net Assets	<u>\$ 1,709,856</u>	<u>\$ 1,758,729</u>	<u>\$ -48,873</u>	<u>-2.78%</u>

**CONDENSED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION**

	<u>FY 2014</u>	<u>FY 2013</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues				
Operations	\$ 576,741	\$ 539,581	\$ 37,160	6.89%
Other	17,224	13,430	3,794	28.25%
Total Revenues	<u>593,965</u>	<u>553,011</u>	<u>40,954</u>	<u>7.41%</u>
Expenses				
Depreciation	170,578	170,153	425	0.25%
Operating	<u>490,474</u>	<u>415,375</u>	<u>75,099</u>	<u>18.08%</u>
Total Expenses	<u>661,052</u>	<u>585,528</u>	<u>75,524</u>	<u>12.90%</u>
Excess (deficiency) before contributions	<u>-67,087</u>	<u>-32,517</u>	<u>-34,570</u>	<u>106.31%</u>
Changes in Net Position	<u>-67,087</u>	<u>-32,517</u>	<u>-34,570</u>	
Beginning net position	<u>1,758,729</u>	<u>1,783,248</u>	<u>-24,519</u>	
Capital Contributed, Adjust/Benefit Unit	18,214	7,998		
Ending net position	<u>\$ 1,709,856</u>	<u>\$ 1,758,729</u>	<u>\$ -48,873</u>	<u>-2.78%</u>

WASHINGTON CO. RURAL WATER DISTRICT #1
STATEMENT OF REVENUES AND EXPENSES
ACTUAL VS. BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2014

	December 31, 2014 ACTUAL	December 31, 2014 Budget	Over/(Under) Budget
REVENUES			
Collection Fees	\$ 725	\$ 0	\$ 725
Freeze Pad	96	0	96
Late Penalty	7,464	8,000	(536)
Maintenance Fee	153,152	145,000	8,152
Miscellaneous	4,968	1,000	3,968
Reading Meter	5,740	12,000	(6,260)
Transfer Fees	275	0	275
Water Line Reimbursement	2,854	0	2,854
Water Sales	401,467	491,000	(89,533)
TOTAL SALES	\$ 576,741	\$ 657,000	\$ (80,259)
 GROSS PROFIT	 \$ 576,741	 \$ 657,000	 \$ (80,259)
 OPERATING EXPENSES			
IDT	\$ 76,898	\$ 33,000	\$ 43,898
Auditing, Geologists & Legal	3,049	4,000	(951)
Bank Charges	79	100	(21)
Chemicals	9,454	8,500	954
Depreciation/Amorization	170,578	168,000	2,578
Dues	607	700	(93)
Equipment	9,072	10,500	(1,428)
Insurance	41,123	45,000	(3,877)
Interest Expense	61,779	62,000	(221)
Leak Reporting	370	500	(130)
Lease	50	50	0
Meeting Expense	10,891	11,000	(109)
Mileage	491	300	191
Miscellaneous Expense	2,606	1,150	1,456
Office Expense	6,582	9,000	(2,418)
Payroll Expenses	10,921	11,000	(79)
Postage	2,694	3,500	(806)
Preventative Maintenance	441	800	(359)
Pump Reading Expense	0	0	0
Radio Expense	0	500	(500)
Repairs & Supplies	31,748	22,000	9,748
Retirement Expense	12,580	15,000	(2,420)
Salaries	136,360	144,000	(7,640)
Shop Expenses	3,623	2,500	1,123
Tank Maintenance	2,782	2,500	282
Taxes	1,885	1,600	285
Truck Expense	19,757	25,000	(5,243)
Utilities	41,170	49,000	(7,830)
Water Testing	2,571	3,500	(929)
TOTAL OPERATING EXPENSES	\$ 660,162	\$ 634,700	\$ 25,462
 OPERATING INCOME (LOSS)	 \$ (83,421)	 \$ 22,300	 \$ (105,721)
 OTHER INCOME (Expense)			
Farm	\$ 4,500	\$ 4,500	\$ 0
Farm (Expense)	(890)	0	(890)
Interest Income	12,724	10,000	2,724
TOTAL OTHER INCOME (EXPENSE)	\$ 16,334	\$ 14,500	\$ 1,834
 NET INCOME (LOSS)	 \$ (67,087)	 \$ 36,800	 \$ (103,887)