

**RURAL WATER DISTRICT NO. 2
MIAMI COUNTY, KANSAS**

**Financial Statements for the
Years Ended November 30, 2014 and 2013
and Independent Auditors' Report**

**RURAL WATER DISTRICT NO. 2
MIAMI COUNTY, KANSAS**

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)	2-4
FINANCIAL STATEMENTS:	
Statements of Net Position	5
Statements of Revenues, Expenses and Changes in Net Position	6
Statements of Cash Flows	7
Notes to Financial Statements	8-13

INDEPENDENT AUDITORS' REPORT

Board of Directors and Members
Rural Water District No. 2
Miami County, Kansas

We have audited the accompanying statements of net position of Rural Water District No. 2, Miami County, Kansas (the "District") as of November 30, 2014 and 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the years 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 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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 organization'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 organization's internal control. Accordingly, we 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 statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of November 30, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter: Management's Discussion and Analysis

Management's discussion and analysis on pages 2 through 4 is 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

December 17, 2014

Acord Cox + Co.

**Rural Water District No. 2
Miami County, Kansas**

Management's Discussion and Analysis

This section of the Rural Water District No. 2, Miami County, Kansas annual financial report presents an analysis of the District's financial performance during the years ended November 30, 2014 and 2013. This information is prepared and presented in conjunction with the annual audited financial reports prepared by the District's independent auditing firm.

Rural Water District No. 2 Financial Overview for 2014

- The District's total assets increased by \$492,965 from \$22,720,792 in 2013 to \$23,213,757 in 2014.
- The District's revenues from water sales decreased by \$232,159 from \$2,825,746 in 2013 to \$2,593,587 in 2014.
- The District's costs and operating expenses increased by \$115,769 from \$2,365,187 in 2013 to \$2,480,956 in 2014.
- The District completed the installation of three miles of eight inch waterlines, looping areas southeast of Louisburg.

Overview of the Financial Statements

This report will include Management's Discussion and Analysis, Financial Statements for the years ended November 30, 2014 and 2013, along with the Independent Auditors' Report. The Independent Auditors' Report will include notes and supporting details for information presented in Management's Discussion and Analysis.

Required Financial Statements

The Financial Statements of the District report information by using accrual accounting practices. The Financial Statements conform to accounting principles that are generally accepted in the United States of America. The Statements of Net Position include information on the District's assets and liabilities and provide information about the type and amounts of investments (assets) secured and the obligations to the District's creditors (liabilities). The Statements of Activities and Changes in Net Position exhibit the District's revenues and expenses for the years ended November 30, 2014 and 2013. The Statements of Cash Flows present information on the District's cash receipts, cash payments and changes in cash flow resulting from operations, investments and financing activities.

Financial Analysis of the District

The Statements of Net Position and the Statements of Activities and Changes in Net Position present information on the District's financial condition. The District's net position is indicated by the difference between its assets and liabilities. An improvement in the District's financial condition is reflected in its increase of net position.

Net Position

A summary of the District's Statements of Net Position is presented below.

Table 1
Condensed Statements of Net Position

	2014	2013	Dollar Change	Percent Change
Current Assets	2,992,875	5,444,771	(2,451,896)	-45.0%
Noncurrent Assets	5,180,798	2,020,796	3,160,002	156.4%
Capital Assets, net	15,040,084	15,255,225	(215,141)	-1.4%
Total Assets	23,213,757	22,720,792	492,965	2.2%
Current Liabilities	328,035	210,736	117,299	55.7%
Total Liabilities	328,035	210,736	117,299	55.7%
Net assets invested in				
capital assets, net of related debt	15,040,084	15,255,225	(215,141)	-1.4%
Unrestricted	7,845,638	7,254,831	590,807	8.1%
Total Net Position	22,885,722	22,510,056	375,666	1.7%

Total assets increased by \$492,965 from \$22,720,792 in 2013 to \$23,213,757 in 2014. This is attributed to net operating income in the current year. Capital assets are a net result of all fixed assets, including 2014 additions, less accumulated depreciation.

Total liabilities increased by \$117,299 from \$210,736 in 2013 to \$328,035 in 2014. This is largely a result of increased line extension deposits and advanced benefit unit payments.

Total net position increased by \$375,666 from \$22,510,056 in 2013 to \$22,885,722 in 2014.

Table 2
Condensed Statements of Revenue, Expenses, And Changes in Net Position

	2014	2013	Dollar Change	Percent Change
Operating Revenues	2,593,587	2,825,746	(232,159)	-8.2%
Non-operating Revenues (Expense)	62,311	(131,014)	193,325	-147.6%
Total Revenues	2,655,898	2,694,732	(38,834)	-1.4%
Depreciation Expense	723,372	706,837	16,535	2.3%
Other Operating Expense	1,757,584	1,658,350	99,234	6.0%
Total Expenses	2,480,956	2,365,187	115,769	4.9%
Income Before Capital Contributions	174,942	329,545	(154,603)	-46.9%
Capital Contributions	200,724	202,853	(2,129)	-1.0%
Changes in Net Position	375,666	532,398	(156,732)	-29.4%
Beginning Net Position	22,510,056	21,977,658	532,398	2.4%
Total Net Position	22,885,722	22,510,056	375,666	1.7%

The Statements of Revenues, Expenses, and Changes in Net Position represent revenue and expense items that affect the change in net position. As the information presented in Table 2 shows, income before capital contributions was \$174,942 with capital contributions of \$200,724, which resulted in a net increase in net position of \$375,666 for the year ended November 30, 2014.

The District's total operating revenues decreased by \$232,159 from \$2,825,746 in 2013 to \$2,593,587 in 2014. Total operating expenses increased by \$115,769 from \$2,365,187 in 2013 to \$2,480,956 in 2014. The major contributor to the increase in expenses was related to plant repairs and maintenance.

Additional Financial Information

This financial report is designed to provide the District's patrons, investors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact Rural Water District No. 2, Miami County, KS Business Manager at P.O. Box 186, Hillsdale, KS 66036.

**RURAL WATER DISTRICT NO. 2
MIAMI COUNTY, KANSAS**

**STATEMENTS OF NET POSITION
NOVEMBER 30, 2014 AND 2013**

ASSETS	2014	2013
CURRENT ASSETS		
Cash	\$ 2,557,874	\$ 5,048,231
Accounts receivable	136,832	152,332
Accounts receivable - wholesale	102,912	72,419
Interest receivable	2,758	640
Prepaid expenses	41,969	45,518
Inventory	<u>150,530</u>	<u>125,631</u>
Total current assets	<u>2,992,875</u>	<u>5,444,771</u>
NONCURRENT ASSETS		
Funds designated for capital improvement	1,974,101	1,708,398
Certificates of deposit	<u>3,206,697</u>	<u>312,398</u>
Total noncurrent assets	<u>5,180,798</u>	<u>2,020,796</u>
CAPITAL ASSETS		
Nondepreciable capital assets	<u>365,484</u>	<u>516,710</u>
Depreciable capital assets	27,650,544	27,017,010
Less accumulated depreciation	<u>(12,975,944)</u>	<u>(12,278,495)</u>
Depreciable capital assets, net	<u>14,674,600</u>	<u>14,738,515</u>
Total capital assets, net	<u>15,040,084</u>	<u>15,255,225</u>
Total assets	<u>23,213,757</u>	<u>22,720,792</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	144,383	104,188
Other accrued liabilities	70,312	73,901
Line extension deposit	65,840	12,147
Advance benefit unit payments	<u>47,500</u>	<u>20,500</u>
Total current liabilities	<u>328,035</u>	<u>210,736</u>
NET POSITION		
Invested in capital assets, net of related debt	15,040,084	15,255,225
Unrestricted	<u>7,845,638</u>	<u>7,254,831</u>
Total net position	<u>\$ 22,885,722</u>	<u>\$ 22,510,056</u>

**RURAL WATER DISTRICT NO. 2
MIAMI COUNTY, KANSAS**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013**

	2014	2013
WATER SALES	\$ <u>2,593,587</u>	\$ <u>2,825,746</u>
COSTS AND OPERATING EXPENSES:		
Personnel costs	678,592	650,910
Depreciation and amortization	723,372	706,837
Chemical expense	167,541	174,475
Plant expense	127,273	75,738
Line maintenance	86,092	73,753
Water purchased	107,938	116,747
Water samples	4,984	2,918
Sales and use tax	3,374	3,626
Utilities	259,509	255,588
Contract meter reading	63,829	62,763
Professional services	17,460	15,063
Vehicle upkeep	74,285	73,514
Office supplies	64,649	62,917
Insurance	35,593	31,193
Tower maintenance	2,674	4,800
Dues	26,634	16,712
Miscellaneous	18,941	19,787
Water plan tax	8,670	9,146
Bad debts	1,418	125
Clean drinking water fee	8,128	8,575
	<u>2,480,956</u>	<u>2,365,187</u>
INCOME FROM OPERATIONS	<u>112,631</u>	<u>460,559</u>
NON-OPERATING REVENUES:		
Interest income	56,311	54,097
Gain (loss) on disposal of fixed assets	6,000	(185,111)
	<u>62,311</u>	<u>(131,014)</u>
INCOME BEFORE CONTRIBUTIONS	174,942	329,545
CONTRIBUTIONS - BENEFIT UNITS AND AID-IN CONSTRUCTION	<u>200,724</u>	<u>202,853</u>
INCREASE IN NET POSITION	375,666	532,398
NET POSITION, BEGINNING OF YEAR	<u>22,510,056</u>	<u>21,977,658</u>
NET POSITION, END OF YEAR	<u>\$ 22,885,722</u>	<u>\$ 22,510,056</u>

**RURAL WATER DISTRICT NO. 2
MIAMI COUNTY, KANSAS**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013**

	2014	2013
OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 2,659,287	\$ 2,807,106
Cash payments to suppliers for goods and services	<u>(1,744,446)</u>	<u>(1,467,045)</u>
Net cash provided by operating activities	<u>914,841</u>	<u>1,340,061</u>
CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from sale of fixed asset	6,000	-
Additions to capital assets	(508,230)	(698,402)
Contributions - Benefit units and aid-in construction	<u>200,723</u>	<u>202,850</u>
Net cash used in capital and related financing activities	<u>(301,507)</u>	<u>(495,552)</u>
INVESTING ACTIVITIES:		
Change in certificates of deposit	(3,160,002)	(252,379)
Interest received	<u>56,311</u>	<u>54,097</u>
Net cash used in investing activities	<u>(3,103,691)</u>	<u>(198,282)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,490,357)	646,227
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,048,231</u>	<u>4,402,004</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,557,874</u>	<u>\$ 5,048,231</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ 112,631	\$ 460,559
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	723,372	706,837
(Gain) loss on disposal of fixed assets	-	185,111
Changes in:		
Accounts receivable	(14,993)	5,063
Inventories	(24,899)	(17,854)
Prepaid expenses	3,549	(31,008)
Interest receivable	(2,118)	165
Accounts payable and accrued liabilities	36,606	54,891
Line extension deposits	53,693	(19,203)
Advanced benefit unit payments	<u>27,000</u>	<u>(4,500)</u>
Net cash provided by operating activities	<u>\$ 914,841</u>	<u>\$ 1,340,061</u>

RURAL WATER DISTRICT NO. 2 MIAMI COUNTY, KANSAS

NOTES TO FINANCIAL STATEMENTS YEARS ENDED NOVEMBER 30, 2014 AND 2013

1. DESCRIPTION OF ENTITY

- a. Organization and Description of Operations – The Rural Water District (the “District”) was established as a tax exempt organization under the laws of the State of Kansas and is governed by an independent Board of Directors. Principal functions of the District include the acquisition, treatment and distribution of water to owners and occupants of land located within the district. Total customers at November 30, 2014 and 2013 were 3,676 and 3,645.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Basis of Presentation and Accounting – The District’s financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. The District has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply applicable GASB pronouncements, including GASB Statement No. 34, as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins, unless these pronouncements conflict with or contradict GASB pronouncements.

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District’s assets, liabilities, net position, revenues and expenses.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included in the statement of net position. Net position (i.e. total assets net of total liabilities) are segregated into invested capital assets, net of related debt; restricted for debt service; and unrestricted components.

Management of the District has made certain estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses to prepare these financial statements in conformity with generally accepted accounting principles. Actual results may differ from those estimates.

- b. Cash Equivalents – For purposes of the statements of cash flows the District considers all highly liquid debt investments having original maturities of three months or less to be cash equivalents.
- c. Accounts Receivable and Unbilled Revenue - The District utilizes cycle billing and accrues an estimated amount of revenues for sales unbilled at the end of each reporting period. The unbilled amount plus any amounts billed to customers but not yet received by The District is recorded as accounts receivable and water sales.
- d. Inventories – Inventories consist primarily of meters, line maintenance material and chemicals. Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

- e. Capital Assets – The cost of additions to the District’s plant, distribution system and other assets with an estimated useful life in excess of two years are capitalized. Cost includes materials, outside services and if applicable, interest on borrowed funds to finance construction. The District did not capitalize interest during the fiscal years 2013 or 2014. The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the nonoperating section of the statement of revenues, expenses and changes in net position.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

- f. Income Taxes – The District is a quasi-governmental unit, not subject to federal or state income taxes.
- g. Capital Contributions – Transmission and distribution system assets contributed to the District are capitalized at the members’ costs, which approximate fair value, and recorded as capital contributions when received.
- h. Net Position – Net position comprise the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Invested in Capital Assets, Net of Related Debt – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

- i. Subsequent Events – Management has evaluated subsequent events through the date of the Independent Auditors’ Report, the date which the financial statements were available for issue and determined there are no subsequent events required to be disclosed.

3. CAPITAL ASSETS

Changes in capital assets were as follows:

	2012	Additions	Transfers/ Disposals	2013
Nondepreciable capital assets:				
Land and easements	82,951	1,346	-	84,297
Construction in progress	650,969	151,654	(370,210)	432,413
	<u>733,920</u>	<u>153,000</u>	<u>(370,210)</u>	<u>516,710</u>
Depreciable capital assets:				
Plant and intake	8,250,915	27,639	-	8,278,554
Towers and standpipe	1,047,195	-	-	1,047,195
Transmission and distribution	16,491,849	280,450	185,100	16,957,399
Pumps and motors	163,777	5,068	-	168,845
Office furniture and equipment	247,090	24,882	-	271,972
Vehicles	218,581	22,252	-	240,833
Equipment	52,212		-	52,212
	<u>26,471,619</u>	<u>360,291</u>	<u>185,100</u>	<u>27,017,010</u>
Less accumulated depreciation	<u>(11,571,660)</u>	<u>(706,835)</u>	<u>-</u>	<u>(12,278,495)</u>
Depreciable capital assets, net	<u>14,899,959</u>	<u>(346,544)</u>	<u>185,100</u>	<u>14,738,515</u>
Total capital assets, net	<u>15,633,879</u>	<u>(193,544)</u>	<u>(185,110)</u>	<u>15,255,225</u>
	2013	Additions	Transfers/ Disposals	2014
Nondepreciable capital assets:				
Land and easements	84,297	340	-	84,637
Construction in progress	432,413	179,364	(330,930)	280,847
	<u>516,710</u>	<u>179,704</u>	<u>(330,930)</u>	<u>365,484</u>
Depreciable capital assets:				
Plant and intake	8,278,554	221,333	-	8,499,887
Towers and standpipe	1,047,195	-	-	1,047,195
Transmission and distribution	16,957,399	62,800	263,605	17,283,804
Pumps and motors	168,845	43,517	-	212,362
Office furniture and equipment	271,972	11,133	-	283,105
Vehicles	240,833	21,957	(15,986)	246,804
Equipment	52,212	40,175	(15,000)	77,387
	<u>27,017,010</u>	<u>400,915</u>	<u>232,619</u>	<u>27,650,544</u>
Less accumulated depreciation	<u>(12,278,495)</u>	<u>(723,372)</u>	<u>25,923</u>	<u>(12,975,944)</u>
Depreciable capital assets, net	<u>14,738,515</u>	<u>(322,457)</u>	<u>258,542</u>	<u>14,674,600</u>
Total capital assets, net	<u>15,255,225</u>	<u>(142,753)</u>	<u>(72,388)</u>	<u>15,040,084</u>

4. CASH AND INVESTMENTS

Deposits – At November 30, 2014 and 2013, the District’s deposits were covered by federal depository insurance or by collateral held by the District’s agent in the District’s name.

Investments – State statutes also authorize municipalities to invest general operating monies in direct obligations of the United States government or its agencies or in repurchase agreements if local financial institutions are not able to pay the average Treasury bill rate. All investments must be insured, registered or held by the municipality or its agent in the municipality’s name.

The District’s investments are categorized as either (1) insured, registered or securities held by the District or its agent in the District’s name, (2) uninsured and unregistered for which the securities are held by the broker’s or dealer’s trust department or agent in the District’s name (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in the District’s name. The District’s investments at November 30, 2014 and 2013 are summarized below:

	2014		2013		Category
	Carrying Value	Market Value	Carrying Value	Market Value	
Investments:					
Certificates of Deposit	\$ 3,206,697	\$ 3,206,697	\$ 312,938	\$ 312,938	1
Funds Designated for Capital Improvement:					
Certificates of Deposit	\$ 1,974,101	\$ 1,974,101	\$ 1,708,398	\$ 1,708,398	1

5. LONG-TERM WATER SUPPLY CONTRACTS AND AGREEMENTS

In connection with the original construction of the water treatment plant, a long-term contract was entered into with RWD #7 of Johnson County to provide water to that district. In addition to paying monthly charges based upon actual water usage, RWD #7 also agreed to pay an amount equal to 8.63% of the District’s Water System Revenue Bonds, Series 1993. In connection with the plant expansion and the retirement of the 1993 bonds, the District amended and restated the water supply contract with RWD #7. Under the amended contract RWD #7 agreed to pay an amount equal to 10.94% of the Series 1998 Bonds.

The District also received \$333,143 in 1999 from RWD #7 for their portion of the costs associated with establishing the 1998 Bond issue which was amortized to non-operating income over a ten-year period.

In March of 2006, the District amended the wholesale water contract with RWD #7 and contributed \$337,037 for capital costs related to the water treatment plant.

In January of 2000, the District entered into a 20-year water supply contract with Rural Water District No. 1 (Miami No. 1), Miami County, Kansas. Under the agreement, the District is required to sell water to Miami No. 1 at rates based on a formula defined in the agreement.

In July of 2000, the District entered into a 30-year water supply contract with Rural Water District No. 1 (Franklin No. 1), Franklin County, Kansas. Under the agreement, the District is required to sell water to Franklin No. 1 at rates based on a formula defined in the agreement.

In July of 2003, the District entered into a water distribution contract with the City of Spring Hill, Kansas (Spring Hill) and RWD #7. Simultaneous with the water distribution contract, the District entered into a 20-year water supply contract with Spring Hill. Under the agreement, the District is required to sell water (not to exceed one million gallons per day) to Spring Hill at rates based on a formula defined in the agreement.

In February of 2006, the District entered into a 20-year water supply contract with the City of Edgerton, Kansas (Edgerton). Under the agreement, the District is required to sell water (not to exceed 250,000 gallons per day) to Edgerton at rates based on a formula defined in the agreement. Either party may, without cause, terminate the contract as of the 10-year anniversary of the contract upon 24 months prior written notice to the other party.

6. PENSION PLAN

Substantially all of the District's employees participate in the Kansas Public Employees Retirement System ("System"), a multiple employer public employee retirement system. Total payroll for employees covered by the System was \$483,564 and \$461,073 in 2014 and 2013.

Employees are vested upon hire and are required by state statute to contribute 5% of their salary (6% for employees hired after July 1, 2009) to the System. The District is required by statute to contribute the remaining amounts using the full funding method, which funds current costs each year and past service liability over a 40-year period. The District's monthly contribution rates are defined by the State and ranged from 8.79% to 9.69% and 7.94% to 8.79% in 2014 and 2013. The contribution requirement for the years ended November 30, 2014 and 2013 was \$70,113 and \$58,100, which consisted of \$23,609 and \$18,443 from employees and \$46,504 and \$39,657 from the District.

The District has a 457 deferred compensation plan. Under the Plan the District matches employee contributions at rates from 2.50% to 4.50% depending upon years of service. For the years ended November 30, 2014 and 2013 the District's contribution to the Plan totaled \$16,123 and \$16,915.

7. ADVANCE BENEFIT UNIT PAYMENTS

Potential customers desiring water service within the District are required to submit an application for a benefit unit along with a deposit for the cost of a benefit unit. Such payments, refundable only if service cannot be provided, totaled \$47,500 and \$20,500 at November 30, 2014 and 2013.

8. COMPENSATED ABSENCES

The District grants vacation to all employees at a rate based on years of experience and employees are scheduled to take vacation in the following year. In the event of termination, an employee is reimbursed for accumulated vacation days. The liability for accrued vacation at November 30, 2014 and 2013 amounted to \$38,621 and \$42,001, respectively.

9. RELATED PARTY TRANSACTIONS

A member of the Board of Directors is an affiliate of a company that was paid \$0 and \$4,076 in 2014 and 2013 for maintenance and construction services.

10. GASB – PENDING NEW STANDARDS

As of December 31, 2013, GASB has issued several statements that are not yet effective for the District and have not yet been implemented. These include:

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions", establishes accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statement No. 27, "Accounting for Pensions by State and Local Government Employers", as well as the requirements of Statement No. 50, "Pension Disclosures", as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. Also, this statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The provisions of this statement are effective for fiscal years beginning after June 15, 2014.

11. COMPLIANCE WITH KANSAS STATUTES

References made herein to the statutes are not intended as interpretations 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. There were no apparent statutory violations during the years ended November 30, 2014 and 2013.

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