

**RURAL WATER DISTRICT NO. 4
Reno County, Kansas**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
For the Years Ended December 31, 2014 and 2013**

**CLUBINE AND RETTELE, CHARTERED
CERTIFIED PUBLIC ACCOUNTANTS
Salina, Kansas**

RURAL WATER DISTRICT NO. 4
Reno County, Kansas

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	
Statements of Net Position - Exhibit I	1
Statements of Activities - Exhibit II	2
Statements of Changes in Members' Equity - Exhibit III	3
Statements of Cash Flows - Exhibit IV	4
Notes to Financial Statements	5-7

CLUBINE & RETTELE CHARTERED

Certified Public Accountants



Robert I. Clubine, CPA
David A. Rettele, CPA
Jay D. Langley, CPA, CGMA
Jon K. Bell, CPA
Leslie M. Corbett, CPA, CGMA
Stacy J. Osner, CPA

Marci K. Fox, CPA
Linda A. Suelter, CPA
Valerie K. Linenberger, CPA
Johnna R. Vosseller, CPA

INDEPENDENT AUDITORS' REPORT

To: The Members and Board of Directors
Rural Water District No. 4
Reno County, Kansas

We have audited the accompanying financial statements of Rural Water District No. 4, Reno County, Kansas as of and for the year ended December 31, 2014 and 2013, 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 general accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*; 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 opinions on these financial statements based on our audit. We conducted our audit 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 from 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, 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rural Water District No. 4, Reno County, Kansas as of December 31, 2014 and 2013 and the results of its operations, the changes in its members' equity and its cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*.

218 South Santa Fe
P.O. Box 2267
Salina, Kansas 67402-2267

Salina
785 / 825-5479
Salina Fax
785 / 825-2446

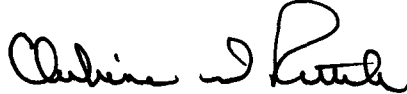
Ellsworth
785 / 472-3915
Ellsworth Fax
785 / 472-5478

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. However, management has elected to omit this information.

This report is intended solely for the information and use of the District's members and management of Rural Water District No. 4, Reno County, Kansas and should not be used for any other purposes.

Clubine and Rettele, Chartered

A handwritten signature in black ink, appearing to read "Clubine and Rettele". The signature is written in a cursive style with a large initial 'C' and 'R'.

Salina, Kansas
February 2, 2015

RURAL WATER DISTRICT NO. 4
Reno County, Kansas

Exhibit I

STATEMENTS OF NET POSITION

	December 31,	
	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets		
Cash	\$ 27,935.19	\$ 22,662.39
Accounts receivable - Water	3,519.28	3,957.19
Prepaid insurance	231.51	140.76
Total Current Assets	<u>31,685.98</u>	<u>26,760.34</u>
Property and Equipment		
Water system	180,723.39	180,723.39
Accumulated depreciation	<u>(136,489.01)</u>	<u>(132,089.69)</u>
Total Property and Equipment	<u>44,234.38</u>	<u>48,633.70</u>
Other Assets		
Investments	<u>307,527.67</u>	<u>305,639.46</u>
Totals	<u>\$ 383,448.03</u>	<u>\$ 381,033.50</u>

LIABILITIES AND MEMBERS' EQUITY

Current Liabilities		
Accounts payable	\$ 3,182.44	\$ 5,396.26
Payroll taxes payable	399.06	399.06
Sales tax payable	22.52	22.52
Refundable deposit	116.40	196.40
Total Current Liabilities	<u>3,720.42</u>	<u>6,014.24</u>
Members' Equity - Exhibit III	<u>379,727.61</u>	<u>375,019.26</u>
Totals	<u>\$ 383,448.03</u>	<u>\$ 381,033.50</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

RURAL WATER DISTRICT NO. 4
Reno County, Kansas

Exhibit II

STATEMENTS OF ACTIVITIES

	For the Year Ended December 31,	
	<u>2014</u>	<u>2013</u>
Income		
Water sales	\$ 59,367.45	\$ 64,364.33
Late/service charges	4,150.67	4,324.24
Total Income	<u>63,518.12</u>	<u>68,688.57</u>
Operating Expenses		
Salaries	5,400.00	5,400.00
Contract labor	3,040.00	3,189.64
Repairs and maintenance	963.24	7,686.10
Cost of water	36,913.79	39,724.22
Cost of water - Surcharge	3,072.00	3,072.00
Taxes	1,031.31	1,058.69
Insurance	409.25	291.96
Board expense	911.30	908.70
Office supplies	363.79	840.04
Supplies	120.86	3,894.50
Legal and accounting	2,812.30	2,764.80
Licenses, fees, and tests	807.03	478.81
Depreciation	4,399.32	4,399.32
Bank charges	25.00	43.90
Printing and postage	325.96	652.68
Miscellaneous	102.83	304.95
Total Operating Expenses	<u>60,697.98</u>	<u>74,710.31</u>
Net Income (Loss) from Operations before Other Income	2,820.14	(6,021.74)
Other Income		
Interest income	<u>1,888.21</u>	<u>2,003.52</u>
Net Income (Loss)	<u>\$ 4,708.35</u>	<u>\$ (4,018.22)</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

RURAL WATER DISTRICT NO. 4
Reno County, Kansas

Exhibit III

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

	For the Year Ended December 31,	
	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 375,019.26	\$ 378,959.24
Add - Bond and interest contributed by members	-	78.24
Add - Net Income (Loss) - Exhibit II	<u>4,708.35</u>	<u>(4,018.22)</u>
Balance, end of year	<u>\$ 379,727.61</u>	<u>\$ 375,019.26</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

RURAL WATER DISTRICT NO. 4
Reno County, Kansas

Exhibit IV

STATEMENTS OF CASH FLOWS

	For the Year Ended December 31,	
	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities		
Cash received customers	\$ 63,956.03	\$ 68,712.73
Interest received	1,888.21	1,995.62
Cash paid to suppliers and others	<u>(58,683.23)</u>	<u>(69,451.80)</u>
Net Cash Provided by Operating Activities	<u>7,161.01</u>	<u>1,256.55</u>
 Cash Flows From Investing Activities		
Purchase of investments	(1,888.21)	(119,957.02)
Proceeds from investments	-	118,037.18
Contribution of bond and interest by members	-	78.24
Net Cash Used by Investing Activities	<u>(1,888.21)</u>	<u>(1,841.60)</u>
 Net Increase (Decrease) in Cash	5,272.80	(585.05)
 Cash at Beginning of Year	<u>22,662.39</u>	<u>23,247.44</u>
 Cash at End of Year	<u>\$ 27,935.19</u>	<u>\$ 22,662.39</u>

RECONCILIATION OF NET INCOME (LOSS)
TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Net Income (Loss) - Exhibit III	\$ <u>4,708.35</u>	\$ <u>(4,018.22)</u>
 Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation	4,399.32	4,399.32
Decrease in accounts receivable	437.91	24.16
Increase in prepaid insurance	(90.75)	(12.04)
Increase (Decrease) in accounts payable	(2,213.82)	938.35
Decrease in refundable deposits	(80.00)	(80.00)
Increase in taxes payable	-	4.98
Total Adjustments	<u>2,452.66</u>	<u>5,274.77</u>
 Net Cash Provided by Operating Activities	<u>\$ 7,161.01</u>	<u>\$ 1,256.55</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

RURAL WATER DISTRICT NO. 4
Reno County, Kansas

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

1. Rural Water District No. 4, Reno County, Kansas, (the District) was organized under Section 82a – 612 et seq. of Kansas Statutes annotated, as amended, for the purpose of providing a water supply system for the landowners within the area of the District. The District is a quasi-municipality and the following is a summary of its significant accounting policies:

- A. The District's policy is to prepare its financial statements on the accrual basis. Under this basis, income is recognized when earned, and expenses are recognized when incurred.
- B. The property and equipment are reported at cost. Depreciation of property and equipment is computed using the straight-line method over the estimated useful life of each asset. The estimated useful lives of the assets range from ten to forty years.
- C. Cash in checking and petty cash are considered to be cash and cash equivalents. The District considers these funds available for current operations. These accounts can be summarized at December 31, as follows:

	<u>2014</u>	<u>2013</u>
Petty Cash	\$ 75.00	\$ 37.89
Cash in bank	<u>27,860.19</u>	<u>22,624.50</u>
Totals	<u>\$ 27,935.19</u>	<u>\$ 22,662.39</u>

- D. Accounts Receivable at December 31, 2014 and 2013 is based on December charges plus amounts due on delinquent accounts. Water users read their own water meter(s) on the first day of each month or the earliest date possible thereafter, compute the amount due, and remit payment for the prior month's water usage to the District no later than the fifth day of the month. A ten percent late charge is assessed after the fifteenth of the month. The allowance for bad debts was zero at December 31, 2014 and 2013.
 - E. The District does not have a vacation and sick leave policy.
 - F. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
2. Though some of the maturity terms on the certificate of deposits are less than a year, the intent of management is to use the certificate of deposits as long-term investments. Therefore, these are not considered current assets. The investments are valued at fair market value based on quoted prices in active markets for identical assets (Level 1). The Investments at December 31, 2014, consist of the following:
- A. First National Bank of Hutchinson C.D. #71959 with an interest rate of 0.30% and with a current value of \$28,617.26.
 - B. First National Bank of Hutchinson C.D. #71960 with an interest rate of 0.93% and with a current value of \$26,927.86.
 - C. First National Bank of Hutchinson C.D. #74077 with an interest rate of 0.93% and with a current value of \$29,342.18.
 - D. First National Bank of Hutchinson C.D. #71983 with an interest rate of 0.93% and with a current value of \$26,585.16.

RURAL WATER DISTRICT NO. 4
Reno County, Kansas

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

2. (Continued)

- E. Hutchinson Credit Union Share Account #30 with an interest rate of 0.25% and with a current value of \$131.80.
- F. Hutchinson Credit Union Investment Share Account #20 with an interest rate of 0.70% and with a current value of \$121,331.58.
- G. Peoples Bank and Trust C.D. #14264 with an interest rate of 0.499% and with a current value of \$30,098.39.
- H. Peoples Bank and Trust C.D. #14265 with an interest rate of 0.499% and with a current value of \$26,495.77.
- I. State Farm Insurance #1004512030 with an interest rate of 0.40% and with a current value of \$17,997.67.

The Investments at December 31, 2013, consist of the following:

- E. First National Bank of Hutchinson C.D. #71959 with an interest rate of 0.30% and with a current value of \$28,531.60.
- F. First National Bank of Hutchinson C.D. #71960 with an interest rate of 0.30% and with a current value of \$26,840.64.
- G. First National Bank of Hutchinson C.D. #74077 with an interest rate of 0.93% and with a current value of \$29,071.19.
- H. First National Bank of Hutchinson C.D. #71983 with an interest rate of 0.93% and with a current value of \$26,339.64.
- J. Hutchinson Credit Union Share Account #30 with an interest rate of 0.25% and with a current value of \$131.80.
- K. Hutchinson Credit Union Investment Share Account #20 with an interest rate of 0.70% and with a current value of \$120,485.96.
- L. Peoples Bank and Trust C.D. #14264 with an interest rate of 0.50% and with a current value of \$29,948.76.
- M. Peoples Bank and Trust C.D. #14265 with an interest rate of 0.50% and with a current value of \$26,364.05.

State Farm Insurance #1004512030 with an interest rate of 0.40% and with a current value of \$17,925.82.

3. Income Taxes

The District is exempt from federal and state income tax.

RURAL WATER DISTRICT NO. 4
Reno County, Kansas

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

4. Major Supplier

All of the District's water is purchased from the City of Hutchinson.

5. Deposits and Investments: At December 31, 2014, the district's carrying amount of deposits was \$335,387.86 and the bank balance was \$335,387.86. The bank balance was held by four banks resulting in a concentration of credit risk. The entire bank balance was covered by federal depository insurance.

Custodial credit risk – For an investment, this is the risk that, in the event of failure of the issuer or counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. At December 31, 2014, the district's investments were adequately secured.

6. The District's management has evaluated events and transactions occurring after the statement of financial position date through February 2, 2015. The aforementioned date represents the date the financial statements were available to be issued.