

**RURAL WATER DISTRICT NO. 13,  
JEFFERSON COUNTY, KANSAS**

FINANCIAL STATEMENTS

For the year ended December 31, 2020

And

INDEPENDENT AUDITOR'S REPORT

...*KL*...

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

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**RURAL WATER DISTRICT NO. 13**

Jefferson County, Kansas

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

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

To the Board of Directors  
Rural Water District No. 13, Jefferson County, Kansas

We have audited the accompanying financial statements of the business-type activities of the Rural Water District No. 13, Jefferson County, Kansas as of and for the year ended December 31, 2020, which comprise the District's basic financial statements as listed in the table of contents, 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 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 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, 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.

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## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of the business-type activities of the Rural Water District No. 13, Jefferson County, Kansas, as of December 31, 2020, and the respective changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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. 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rural Water District No. 13, Jefferson County, Kansas financial statements as a whole. The Schedule of Insurance in Force is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Karlin & Long, LLC*

Karlin & Long, LLC  
Certified Public Accountants

Lenexa, KS  
February 10, 2021

RURAL WATER DISTRICT NO. 13

JEFFERSON COUNTY, KANSAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Rural Water District No. 13's annual financial report presents analysis of the District's financial performance during the fiscal year ended on December 31, 2020. The **Management's Discussion and Analysis** is designed to assist the reader in focusing on the significant financial issues and activities of the District and to identify any significant changes in financial position. This information should be read and considered with the financial statements taken as a whole.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this **Management Discussion and Analysis**, the **Financial Statements** and the **Notes to the Financial Statements**.

#### Required Financial Statements

The financial statements of the District provide information using accounting methods similar to those used by private sector companies. These statements offer current and long term financial information about the activities of the District. The financial statements include the current and previous year's statements for comparison purposes year-to-year.

The **Statements of Assets, Liabilities and Net Assets** include all the District's assets and liabilities and provide information about the nature and amounts of assets and obligations to the District's creditors (liabilities). This statement also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The **Statements of Support Revenues, and Expenses** show all of the revenues and expenses for the District for the years shown. 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 managed the costs through user fees and other charges, profitability and credit worthiness.

The **Statements of Cash Flow** indicates cash receipts, cash payments, and net changes in cash. These changes result from operations, investing, and financing activities. This is simply stated as money in, money out, and money in the bank.

#### Notes to the Financial Statements

The **Notes to the Financial Statements** provide additional information that is essential to fully understand the data provided.

#### Supplemental Information

The **Schedule of Insurance in Force** and **Schedule of Statistical Information** are presented with the financial statements, along with this **Management Discussion and Analysis**. All of these documents are needed to have a clear understanding of the District's financial position.

## FINANCIAL HIGHLIGHTS AND ANALYSIS

### Statements of Assets, Liabilities and Net Assets

The **Statements of Assets, Liabilities and Net Assets** shows the balanced financial position of assets and liabilities for the District.

**Total Current Assets** increased by \$327,732 (+51.8%) from 2019. Although the majority of these funds are maintained by the District, they are not available as Cash but are required to be available in the event the District cannot meet their financial obligation to the Bond payments. Roughly half of this increase resulted from a significant increase in **Cash and cash equivalents** of \$312,291 (62.7%) as the Board elected to hold cash to fund future construction projects for the District. **Capital assets, net** decreased by \$300,155 (-7.0%) primarily due to depreciation expenses. The net value of the District will continue to decrease as the age of the equipment depreciates out. The District has put together a 20-year plan to replace/modernize the District to maintain the District's value and viability. Though no decisions have been made, the Board is exploring the feasibility of a low-interest USDA loan to fund a significant portion of the 20-year plan. The **Total Assets** of the District increased by \$27,132 (+1.3%), benefiting from an increase of benefit units in the District (1,064 to 1,084) and an increase in average water sales per benefit.

The **Total Current Liabilities** decreased (\$11,641 or -6.3%) from 2019. **Net long-term debt** decreased (\$97,760 or -11.5%) due to regular debt payments against the only long term debt the District has in force. The remaining balance of this KRWFA is \$870,000.

The **Total net position** of the District increased in 2020 (\$136,533 or +3.4%). The **Total net position** is divided into three areas (**Invested in capital, Restricted** and **Unrestricted**).

- A large portion of the District's **Total net position** consists of the District's **Invested in capital** portion (\$3,147,593 or 74.6% of the **Total net position**) which includes physical assets (distribution system, plant equipment and vehicles) less related debt and accumulated depreciation. The District uses these assets to provide service and consequently these assets are not available for liquidation or for other spending. The net investment in capital assets decreased (\$200,155 or -6.0%) due to the Board's decision to defer capital improvement projects to the distribution system while evaluating the 20-year plan.
- The **Restricted** portion (\$142,176) is the amount of money set aside to make payment on our long-term debt. This amount is slightly larger than the absolute minimum set aside required by KRWFA (which is \$129,900) as the District chooses to let the interest in this account accumulate. This money is not available for use by the District.
- The **Unrestricted** amount (\$927,631) represents the amount available to be used to meet the District's ongoing obligations to creditors and operations of the District. The **Unrestricted** amount increased (\$334,263 or +56.3%) from 2019 to 2020. The District has sufficient funds to meet requirements for cash outlays in the next fiscal year as well as the financial capacity to sustain operations.

At the end of the 2020 fiscal year the District has positive balances in all categories of **Total net position**.

### Statements of Support Revenues, and Expenses

The **Statements of Support Revenues, and Expenses** provides insight to the nature and source of the changes from the **Statements of Assets, Liabilities and Net Assets**.

**Total operating revenues** increased in 2020 from 2019 (\$50,184 or +6.0%) due to increased water sales.

**Income (loss) from operations** for the year increased from 2019 to 2020 by \$87,039, or 88.0%.

Overall the change in **Net Position, End of Year** for the District increased by \$136,532 in 2020. This was due primarily to spending control by the District.

## Statements of Cash Flow

The **Statements of Cash Flow** describes the sources of District's cash and how that cash was spent over the year. Non-cash items such as depreciation are not included in this statement. This makes the statement useful for determining the short-term viability of the District, particularly the District's ability to pay bills. As such, the **Statements of Cash Flow** shows how the District has performed in managing inflows and outflows of cash.

The **Net Cash Provided By Operating Activities** increased from 2019 to 2020 by \$34,027, or 11.0% with increased **Cash Payments to suppliers for goods and services** offset by increased **Cash received from members for water** and decreased **Cash Payments to employees for services**. There is a section (**Reconciliation of operating income to net cash**) at the bottom of the **Statements of Cash Flow** that breaks down the areas of change. The significant items of note are the decrease in operating income, decrease in inventory, and decrease in accounts payable.

**Net Cash Provided by Capital and Related Financing Activities** decreased in 2020 compared to 2019 due primarily to the lack of significant capital efforts (\$107,355 or +56.4%).

The end of year net change of **Cash and Cash Equivalents, End of Period** increased (\$312,291 or +62.7%) for 2020 as compared to 2019.

## Debt Ratio

The State of Kansas requires the District to maintain our debt service coverage ratio coverage at 1.25 (minimum). The District's ratio for 2020 is 2.58. Although the debt service coverage ratio is not a part of the Financial Statement, the District uses this as another indicator on how capable the District is to pay their debts. The higher the debt service ratio the better the District's ability to cover debts.

## Contact Information

Any questions regarding the report or request for additional information should be directed to:

Rural Water District No. 13, Jefferson County, Kansas  
District Board of Directors  
Attention: Gordon A. Brest, Board Chairman  
1951 Wellman Road  
Lawrence, Kansas 66044

**RURAL WATER DISTRICT NO. 13, JEFFERSON COUNTY, KANSAS**

Statements of Assets, Liabilities, and Net Assets - Modified Cash Basis  
As of December 31, 2020 and 2019

<b>ASSETS</b>		
	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and cash equivalents	\$ 810,523	\$ 498,232
Account receivable, net	62,462	60,400
Construction aid receivable	-	-
Inventory	<u>87,474</u>	<u>74,095</u>
Total current assets	<u>960,459</u>	<u>632,727</u>
Certificate of deposit, Bond reserve account	<u>142,176</u>	<u>139,752</u>
Capital assets, net	<u>4,017,593</u>	<u>4,317,748</u>
Other assets		
Note issue costs	<u>20,086</u>	<u>22,955</u>
Total Assets	<u>\$ 5,140,314</u>	<u>\$ 5,113,182</u>
<b>LIABILITIES AND NET POSITION</b>		
Current Liabilities		
Current portion of bonds payable	\$ 100,000	\$ 100,000
Customer credits	-	-
Reserve for benefit unit installation	43,700	33,200
Accounts payable	15,594	36,637
Accrued interest	10,010	11,260
Accrued payroll	<u>3,770</u>	<u>3,618</u>
Total current liabilities	<u>173,074</u>	<u>184,715</u>
Long Term Debt		
Bonds payable, net of current portion	770,000	870,000
Less deferred refunding, net of amortization	<u>20,160</u>	<u>22,400</u>
Net long term debt	<u>749,840</u>	<u>847,600</u>
Total liabilities	<u>922,914</u>	<u>1,032,315</u>
Net position		
Invested in capital, net of debt	3,147,593	3,347,748
Restricted, expendable	142,176	139,752
Unrestricted	<u>927,631</u>	<u>593,368</u>
Total net position	<u>\$ 4,217,400</u>	<u>\$ 4,080,867</u>

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

**RURAL WATER DISTRICT NO. 13, JEFFERSON COUNTY, KANSAS**

Statements of Support Revenues, and Expenses - Modified Cash Basis  
For the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Water revenues</b>		
Water sales	\$ 877,485	\$ 825,879
Late fees	8,587	10,009
Total Operating revenues	<u>886,072</u>	<u>835,888</u>
<b>Operating Expenses</b>		
Salaries and payroll taxes	179,666	193,112
Chemicals	39,913	29,485
Utilities and telephone	64,298	65,536
Office expenses	18,737	16,879
Repairs and maintenance	140,536	155,145
Locates	-	-
Contract labor	21,314	19,650
Professional fees	17,366	32,782
Operating supplies	5,434	6,065
Safety	1,449	-
GIS mapping	-	115
Dues and memberships	4,897	4,215
Customer reimbursement	30	61
Insurance	21,811	18,242
Board expense	101	2,377
Vehicle expenses	2,270	4,853
Security	1,296	1,576
Bad debt	-	-
Continuing education	58	1,503
Water relief	1,713	2,104
Miscellaneous	-	752
Depreciation and amortization	377,098	380,389
	<u>897,985</u>	<u>934,841</u>
Income (Loss) from operations	<u>(11,913)</u>	<u>(98,953)</u>
<b>Nonoperating Revenues (Expense)</b>		
Interest income	6,507	7,503
Reimbursements and other fees	47,964	17,213
Interest expense	(26,525)	(27,608)
Deposits returned	-	(2,400)
	<u>27,946</u>	<u>(5,293)</u>
<b>Income before capital contributions</b>	16,033	(104,246)
<b>Capital Contributions</b>		
Benefit Units	120,500	63,500
Line extensions	-	6,500
Contribution in Aid of Construction	-	13,900
	<u>120,500</u>	<u>83,900</u>
<b>Change in Net Position</b>	136,533	(20,346)
<b>Net Position, Beginning of Year</b>	<u>4,080,867</u>	<u>4,101,213</u>
<b>Net Position, End of Year</b>	<u>\$ 4,217,400</u>	<u>\$ 4,080,867</u>

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

**RURAL WATER DISTRICT NO. 13, JEFFERSON COUNTY, KANSAS**

Statements of Cash Flow - Modified Cash Basis  
For the years ended December 31, 2020 and 2019

	<b>2020</b>	<b>2019</b>
<b>Cash Flows from Operating Activities</b>		
Cash received from members for water	\$ 884,010	\$ 841,079
Cash payments to suppliers for goods and services	(359,043)	(336,508)
Cash payments to employees for services	(179,514)	(193,146)
<b>Net Cash Provided By Operating Activities</b>	<b>345,453</b>	<b>311,425</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from sale of benefit units and aid in construction	120,500	83,900
Payments on long-term debt	(100,000)	(100,000)
Interest paid	(26,525)	(28,338)
Purchase of property and equipment	(76,943)	(145,885)
<b>Net Cash Provided By Capital and Related Financing Activities</b>	<b>(82,968)</b>	<b>(190,323)</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
Receipts from miscellaneous activities	47,964	17,213
Amortization of advance refunding	(2,240)	2,240
Change in restricted cash	(2,424)	(2,992)
	43,299	16,461
<b>Cash Flows from Investing Activities</b>		
Interest received	6,507	7,503
<b>Net Cash Provided By Investing Activities</b>	<b>6,507</b>	<b>7,503</b>
<b>Net Change in Cash and Equivalents</b>	<b>312,291</b>	<b>145,066</b>
<b>Cash and Equivalents, Beginning of Period</b>	<b>498,232</b>	<b>353,166</b>
<b>Cash and Equivalent, End of Period</b>	<b>\$ 810,523</b>	<b>\$ 498,232</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	(11,913)	(98,953)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	377,098	380,389
Changes in		
(Increase) decrease in accounts receivable	(2,063)	27,447
(Increase) decrease in inventory	(13,379)	49
Increase (decrease) in customer credits	7,351	(5,222)
Increase (decrease) in reserve for benefit installation	10,500	(3,600)
Increase (decrease) in accounts payable	(21,043)	12,078
Increase (decrease) in accrued interest	(1,250)	(730)
Increase (decrease) in accrued payroll	152	(33)
<b>Net cash provided by operating activities</b>	<b>345,453</b>	<b>311,425</b>

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

## **RURAL WATER DISTRICT NO. 13**

Jefferson County, Kansas

### **NOTES TO FINANCIAL STATEMENTS**

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

##### **Organization**

Rural Water District No. 13, Jefferson County (the District) was organized under Kansas law and is accounted for as an enterprise fund using the modified cash basis of accounting. The District's purpose and objective is to acquire water and water rights, to build and acquire pipelines and for the purpose of furnishing water for domestic, agriculture, and/or other purposes. The District provides services to patrons in Douglas, Jefferson, and Leavenworth Counties. Total benefit units at December 31, 2020 and 2019 were 1,084 and 1,064, respectively.

##### **GASB Statement No. 34**

In June 1999, GASB issued Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. The statement known as the "Reporting Model" statement, affects the way the District prepares and presents information.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments, including special purpose governments. The statement was developed to make annual reports easier to understand and more useful to the people who use governmental information to make decisions and includes:

##### **Management's Discussion and Analysis**

GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analysis overview of the District's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.

##### **Statement of Net Position or Balance Sheet**

This statement is designated to display the financial position of the District. Districts report all capital assets, including infrastructure. The net assets of the District will be broken down into three categories 1) invested in capital assets, net of depreciation; 2) restricted (if applicable); and 3) unrestricted.

##### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Basis of accounting refers to when revenues, expenses and the 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 modified cash basis of accounting in accordance with accounting principles generally accepted in the United States of America.

## RURAL WATER DISTRICT NO. 13

Jefferson County, Kansas

### NOTES TO FINANCIAL STATEMENTS

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

##### GASB Statement No. 34 (continued)

With this measurement focus, all assets and liabilities are included on the statement of net assets. Under the modified cash basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. The modification from the accrual basis of accounting is the omission of the net pension liabilities for the organization, based upon the participation in the Kansas Public Employees Retirement System. The statement of cash flows provides information about how the District meets the cash flow needs of its activities.

##### GASB Statement No. 20

Under GASB Statement No. 20, *Accounting and Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, all proprietary funds continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds have the option of either choosing not to apply future FASB standards (including amendments of earlier pronouncements), or continuing to follow new FASB pronouncements (unless they conflict with GASB guidance). The District has chosen not to apply future FASB standards for proprietary funds.

##### 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 purposes of the statement of cash flows the District defines cash and cash equivalents as demand deposits and certificates of deposit at banks with maturities of three months or less.

##### Certificates of Deposit

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

##### Accounts Receivable

The District reads meters during the last week of each month, and mails invoices approximately on the last day of the month. Payments for water service are due on the 16<sup>th</sup> of the following month, or will be subject to a 10% late charge. The allowance for doubtful accounts was \$4,285 and \$4,285 on December 31, 2020 and 2019, respectively.

## RURAL WATER DISTRICT NO. 13

Jefferson County, Kansas

### NOTES TO FINANCIAL STATEMENTS

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

##### Inventory

Inventory consists of supplies held by the district for future use, and is stated at cost using the first in, first out 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 and amortization are computed using the straight-line method over the estimated useful life of the asset. 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. The district does not have a formal capitalization policy. Depreciation and amortization expense totaled \$377,098 and \$380,389 for the years ended December 31, 2020 and 2019, respectively.

##### Benefit Units

Benefit units are rights that entitle the holder to water service. Benefit units are presently sold for \$6,000, and are included in the statements of revenue, expenses, and changes in net assets as benefit unit sales.

##### Aid in Construction

Aid in Construction represents contributions from the members for line extensions, and are included in the statement of activities. Aid in construction was \$0 and \$13,900 for the years ended December 31, 2020 and 2019, respectively.

##### Restricted Resources

It is the District's policy to use restricted resources only after unrestricted resources are depleted.

##### Income Taxes

The District is considered a tax-exempt entity and is not subject to income taxes at either the federal or state level. The District's payroll tax returns for the years ending 2020, 2019, and 2018 are subject to examination by the IRS, generally for three years after they were filed.

## RURAL WATER DISTRICT NO. 13

Jefferson County, Kansas

### NOTES TO FINANCIAL STATEMENTS

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

##### Net Position

The District's net position is classified as follows:

Invested in capital assets, net of accumulated depreciation – This represents the District's total investment in capital assets, net of accumulated depreciation.

Unrestricted net position – This includes resources derived from sales and services. These resources are 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 current expense for any purpose.

##### Use of Estimates

The preparation of financial statements in compliance with generally accepted accounting principles requires managements to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures 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.

#### NOTE 2 – Deposits and Investments

##### Deposits

K.S.A. 9-1401 establishes the depositories which may be used by the district. The statute requires banks eligible to hold the district's funds have a main or branch bank in the county in which the district is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The district has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the district's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The district has no investment policy that would further limit its investment choices

##### Restricted Cash

At December 31, 2020 and 2019, the District had \$142,176 and \$139,752, respectively in a reserve account which is restricted to meet the loan reserve requirements of the note agreement.

**RURAL WATER DISTRICT NO. 13**

Jefferson County, Kansas

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – Deposits and Investments (continued)**

**Concentration of Credit Risk**

The District is engaged to in the sale of water to customers located in Douglas, Jefferson, and Leavenworth counties in Kansas. The District grants credit to those customers and requires no collateral; therefore, the District has a concentration of accounts receivable in the community.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the district's deposits may not be returned to it. State statutes require the district's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2020.

At December 31, 2020 and 2019, the District's carrying amount of deposits, including certificates of deposit, were \$810,523 and \$498,232, respectively, and the bank balances were \$970,955 and \$517,431, respectively and of which \$970,955 and \$517,431, respectively, was covered by FDIC insurance, and pledged collateral. Any collateral securities used to secure deposits for the district are to be held by a Federal Reserve Bank, a bank, or a trust company.

**Custodial Credit Risk – Investments**

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

**NOTE 3 – Risk Management**

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance.

There have been no significant reductions in coverage from prior years and settlements have not exceeded coverage in the past three years. See Schedule of Insurance in Force for details of insurance.

## RURAL WATER DISTRICT NO. 13

Jefferson County, Kansas

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 4 – Defined Benefit Pension Plan

**Plan Description** – The Rural Water District No. 13, Jefferson County, Kansas 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, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS’ financial statements are included in its Comprehensive Annual Report which can be found on the KPERS website at [www.kpers.org](http://www.kpers.org) or by writing to KPERS (611 S. Kansas; Topeka, KS 66603) or by calling 1-888-275-5737.

**Contributions** – K.S.A. 74-4919 and K.S.A. 74-4921 establishes the KPERS member-employee contribution rates depending on whether the employee is KPERS 1, KPERS2, or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to provisions Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2, and KPERS 3 be determined based on results of each annual actuarial valuation. Kansas sets a limitation on annual increases in the employer contributions rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate was 8.61% for the fiscal year ended December 31, 2020. Contributions to the pension plan from Rural Water District No. 13, Jefferson County, Kansas were \$14,031 and \$15,293 for the years ended December 31, 2020 and 2019, respectively.

#### Net Pension Liability

At December 31, 2020, the Rural Water District No. 13, Jefferson County, Kansas’ proportionate share of the collective net pension liability reported by KPERS was \$141,189. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined as an actuarial valuation as of December 31, 2019, which was rolled forward to June 30, 2020. Rural Water District No. 13, Jefferson County, Kansas’ proportion of the net pension liability was based on the ratio of the Rural Water District No. 13, Jefferson County, Kansas’ contributions to KPERS, relative to the total employer and non-employer contributions to the Local subgroup within KPERS. Since non-GAAP basis of accounting does not recognize this long-term debt, this liability is not reported in these financial statements.

**RURAL WATER DISTRICT NO. 13**

Jefferson County, Kansas

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 – Defined Benefit Pension Plan (continued)**

**Net Pension Liability (continued)**

The complete actual valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website [www.KPERS.org](http://www.KPERS.org) or can be obtained as described above.

**NOTE 5 – 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. We noted no violations of Kansas statutes during the year ended December 31, 2020.

**NOTE 6 – Concentrations of customers**

The District sells water to the City of McLouth, Kansas and Rural Water District No. 10 Leavenworth County, Kansas, which accounts for a significant amount of water sales.

**NOTE 7 – Compliance with Finance-Related Legal and Contractual Provisions**

The District is required to establish a Loan Reserve Account for the purpose of meeting principal and interest payments. The District had a balance of \$142,146 and \$139,752 as of December 31, 2020 and 2019, respectively in this account.

In addition the District was required to maintain a debt service coverage ratio of at least 1.25 for the year ended December 31, 2020, the District's debt service coverage ratio was 2.58.

**NOTE 8 – Property, Plant, and Equipment**

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

	<u>Capitalization Policy</u>	<u>Deprecation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 5,000	Straight Line	20 - 40 years
Equipment	5,000	Straight Line	3 - 20 years
Water Systems	5,000	Straight Line	10 - 20 years
Furniture and Fixtures	5,000	Straight Line	7 - 10 years

**RURAL WATER DISTRICT NO. 13**

Jefferson County, Kansas

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 –Property, Plant, and Equipment (continued)**

The following represents of property, plant, and equipment as of December 31, 2020 and 2019:

	2019 Rollforward			Ending Balance
	Beginning Balance	Additions	Dispositions	
Distribution	\$ 6,069,378	\$ 142,604		\$6,211,982
Furniture and fixtures	95,250			95,250
Office building	32,040			32,040
Treatment plant	1,857,923			1,857,923
Water storage tower	1,343,289			1,343,289
Wells	128,560			128,560
Vehicles	44,176			44,176
Easements	9,000			9,000
Land	13,000			13,000
Total	9,592,616	142,604	-	9,735,220
Less Accumulated depreciation	5,037,083	380,389		5,417,472
Net	<u>4,555,533</u>	<u>(237,785)</u>	<u>-</u>	<u>4,317,748</u>
	2020 Rollforward			Ending Balance
	Beginning Balance	Additions	Dispositions	
Distribution	6,211,982	76,943		\$6,288,925
Furniture and fixtures	95,250			95,250
Office building	32,040			32,040
Treatment plant	1,857,923			1,857,923
Water storage tower	1,343,289			1,343,289
Wells	128,560			128,560
Vehicles	44,176			44,176
Easements	9,000			9,000
Land	13,000			13,000
Total	9,735,220	76,943	-	9,812,163
Less Accumulated depreciation	5,417,472	377,098		5,794,570
Net	<u>4,317,748</u>	<u>(300,155)</u>	<u>-</u>	<u>4,017,593</u>

**RURAL WATER DISTRICT NO. 13**

Jefferson County, Kansas

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 – Compensated Absences**

The District provides sick and vacation leave to its full-time employees. The amounts are being expensed when sick and vacation leave is taken.

**NOTE 10 – Subsequent Events Review**

Subsequent events for management's review have been evaluated through February 10, 2021. This is the date the financial statements were available to be issued.

**NOTE 11 – Long Term Debt**

The District entered into a bond agreement with the Kansas Rural Water Finance Authority (KRWFA) on January 15, 2013, to refinance long-term debt through defeasance of debt which was payable to the Kansas Department of Health and Environment (KDHE). December 31, 2020, the principal amount outstanding on the bonds was \$870,000. The loan bears interest at a variable rate, which was 2.37% at December 31, 2020. Payments of principal and interest began in February, 2014 and are due semi-annually. The loan matures on August 1, 2028.

The Changes in Long-term debt for the year ended December 31, 2020 are as follows:

RURAL WATER DISTRICT NO. 13, JEFFERSON COUNTY, KANSAS  
Statement of Changes in Long-Term Debt  
For the year ended December 31, 2020

**Note 12 - Long Term Debt**  
Changes in long-term liabilities for the District for the year ended 2020 were as follows:

Issue	Interest Rate	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
KRWFA										
Revenue Bonds, Series A, 2013	2.37%	8/1/13	\$ 1,595,000	8/1/28	\$ 970,000		\$ 100,000	\$ (100,000)	\$ 870,000	\$ 26,526
Total Long Term Debt					\$ 970,000	\$ -	\$ 100,000	\$ (100,000)	\$ 870,000	\$ 26,526
Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:										
		2021	2022	2023	2024	2025	2026-2028			Totals
Principal										
General Obligation Bonds										\$ -
Special Assessment Bonds										\$ -
Certificates of Participation										\$ -
Capital Leases										\$ -
Revenue Bonds	105,000	105,000	110,000	110,000	110,000	110,000	330,000			870,000
KDHE Loan										\$ -
Temporary Notes										\$ -
Total Principal	105,000	105,000	110,000	110,000	110,000	110,000	330,000			870,000
Interest										
General Obligation Bonds										\$ -
Special Assessment Bonds										\$ -
Certificates of Participation										\$ -
Capital Leases										\$ -
Revenue Bonds	24,463	22,037	19,282	16,187	12,887	12,887	29,798			124,654
KDHE Loan										\$ -
Temporary Notes										\$ -
Total Interest	24,463	22,037	19,282	16,187	12,887	12,887	29,798			124,654
Total Principal and Interest	129,463	127,037	129,282	126,187	122,887	122,887	359,798			994,654

**RURAL WATER DISTRICT NO. 13, JEFFERSON COUNTY, KANSAS**

Schedule of Insurance in Force  
December 31, 2020  
(Unaudited)

<u>Policy Type</u>	<u>Expiration Date</u>	<u>Company</u>	<u>Amount of Coverage</u>	<u>Description</u>
Workers Compensation	2/1/2021	EMC	\$ 500,000	Bodily injury by accident
		Insurance Company	\$ 500,000	Bodily injury by disease
Commercial Property	2/1/2021	EMC Insurance Company	\$ 8,622,232	Buildings, standpipe storage tank, other personal property
Crime Coverage	2/1/2021	EMC Insurance Company	\$ 200,000	Employee dishonesty
General Liability	2/1/2021	EMC Insurance Company	\$ 2,000,000	General aggregate limit
			\$ 1,000,000	Personal and advertising limit
			\$ 1,000,000	Each occurrence limit
			\$ 300,000	Fire damage limit
			\$ 5,000	Medical expense
Automobile	2/1/2021	EMC Insurance Company	\$ 500,000	Liability
			\$ 500,000	Uninsured motorist
			\$ 500,000	Underinsured motorist
Errors and Omissions	2/1/2021	EMC Insurance Company	\$ 1,000,000	Policy limit
Inland Marine	2/1/2021	EMC Insurance Company	\$ 500	Small tools - one item
			\$ 1,800	Small tools - each occurrence limit
			\$ 1,500	Electronic hardware
			\$ 5,000	Electronic software
			\$ 5,000	Property floater
Data	2/1/2021	EMC Insurance Company	\$ 50,000	Data compromise

**RURAL WATER DISTRICT NO. 13, JEFFERSON COUNTY, KANSAS**

Schedule of Statistical Information  
For the years ended December 31, 2020 and 2019  
(Unaudited)

	<u>2020</u>	<u>2019</u>
Gallons sold/used	91,771,000	80,387,000
Gallons produced	126,344,000	118,097,000
Water loss (unaccounted for) percentage	27.36%	31.93%
Water loss gallons	34,573,000	37,710,000
Water loss (unaccounted for)	\$ 78,826	\$ 85,979
Number of benefit units	1,084	1,064
Average monthly water sales per benefit unit	\$ 67.46	\$ 64.68
Average monthly operating expenses per benefit unit	\$ 69.03	\$ 73.22
Average monthly interest expense per benefit unit	\$ 2.04	\$ 2.16
Average monthly depreciation and amortization per benefit unit	\$ 28.99	\$ 29.79
Average month gallons sold per benefit unit	7,055	6,296
Gallons sold to the City of McLouth and Rural Water District No. 10 of Leavenworth Couy, Kansas	13,964,000	12,479,000