CONSOLIDATED RURAL WATER DISTRICT NO. 1 SHAWNEE COUNTY, KANSAS

FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT
YEARS ENDED DECEMBER 31, 2023 & 2022

Cummins, Coffman & Schmidtlein
Certified Public Accountants, P.A.

CONSOLIDATED RURAL WATER DISTRICT NO. 1
SHAWNEE COUNTY, KANSAS

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Cummins,
Coffman &
Schmidtlein
Certified Public Accountants, P.A.

Terry Cummins, CPA
Diane Coffman, CPA
Greg Schmidtlein, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Consolidated Rural Water District No. 1
Topeka, KS 66610

Opinion

We have audited the accompanying financial statements of Consolidated Rural Water District No. 1, which comprise the statements of net position as of December 31, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Consolidated Rural Water District No. 1 as of December 31, 2023 and 2022, and the changes in net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Consolidated Rural Water District No. 1 and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial about Consolidated Rural Water District No. 1's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Consolidated Rural Water District No. 1's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Consolidated Rural Water District No. 1's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matter

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is considered to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Consolidated Rural Water District No. 1 financial statements as a whole. The Schedule of Insurance Coverage 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.

Cummins, Coffman & Schmidtlein, CPA's, P.A.

Cummins, Coffman & Schmidtlein, CPA's, P.A.
Topeka, Kansas
March 4, 2024

CONSOLIDATED RURAL WATER DISTRICT NO. 1
SHAWNEE COUNTY, KANSAS
STATEMENTS OF NET POSITION
For the years ended

Assets

	December 31 2023	2022
Current assets		
Cash and cash equivalents	$ 867,577	$ 1,129,175
Certificates of Deposit	478,125	470,742
Accounts receivable	130,787	127,244
Inventory	274,075	138,873
Prepaid expense	34,162	28,814
Total current assets	1,784,726	1,894,848
Noncurrent assets		
Capital assets, net	5,570,413	5,651,039
Total noncurrent assets	5,570,413	5,651,039
Total assets	$ 7,355,139	$ 7,545,887

Liabilities and Net Position

	December 31 2023	2022
Current liabilities		
Accounts payable	$ 10,052	$ 122
Accrued interest	27,280	28,404
Accrued wages	15,204	-
Other liabilities	5,410	1,424
Current maturities of long-term debt	150,000	145,000
Total current liabilities	207,946	174,950
Noncurrent liabilities		
Long-term debt, net of current maturities	3,370,000	3,520,000
Total long-term debt, net of current maturities less unamortized debt issuance costs	3,370,000	3,520,000
Accrued paid time off	22,257	12,116
Total noncurrent liabilities	3,392,257	3,532,116
Total liabilities	3,600,203	3,707,066
Net position		
Invested in capital assets, net of related debt	2,050,413	1,986,039
Unrestricted	1,704,523	1,852,782
Total net position	3,754,936	3,838,821
Total liabilities and net position	$ 7,355,139	$ 7,545,887

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

CONSOLIDATED RURAL WATER DISTRICT NO. 1
SHAWNEE COUNTY, KANSAS
STATEMENTS OF ACTIVITIES AND CHANGES IN NET POSITION
For the years ended

	December 31 2023	2022
Revenues		
Water sales	$ 1,113,947	989,672
Water sales – minimum	484,262	525,113
Penalty charges	23,325	25,781
BU installation income	41,529	25,987
Other revenue	29,232	19,574
Total revenues	1,692,295	1,586,127
Expenses		
Wages	210,081	171,076
Payroll taxes	18,355	16,094
Retirement	22,470	18,345
Employee benefits	55,486	54,626
Directors' compensation	4,550	4,550
Depreciation	350,011	396,330
Water purchased	807,015	701,816
Professional fees	15,989	14,194
Insurance	33,488	36,630
Repairs and maintenance	97,049	21,628
BU installation expense	-	13,552
Contract services	-	1,643
Fuel expense	12,022	-
Vehicle maintenance	8,234	14,851
Office expense	13,655	7,103
Postage	12,201	9,934
Utilities	27,664	28,116
Cell phone	4,734	5,734
Lab testing	7,387	8,225
Dues and subscriptions	5,629	3,588
Interest	110,244	111,368
Miscellaneous	5,684	12,461
Total expenses	1,821,948	1,651,864
Operating income	(129,653)	(65,737)
Non-operating revenues (expense)		
Interest income	9,960	2,714
Dividend income	6,211	5,727
Misc. non-operating revenue	2,822	338
Total other income (expenses)	18,993	8,779
Net income (loss) before contributions	(110,660)	(56,958)

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

CONSOLIDATED RURAL WATER DISTRICT NO. 1
SHAWNEE COUNTY, KANSAS
STATEMENTS OF ACTIVITIES AND CHANGES IN NET POSITION (continued)
For the years ended

	December 31 2023	December 31 2022
Capital contributions		
Benefit units sold	26,775	37,200
Total capital contributions	26,775	37,200
Change in net position	(83,885)	(19,758)
Net position, beginning of year	3,838,821	3,858,579
Net position, end of year	$ 3,754,936	$ 3,838,821

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

CONSOLIDATED RURAL WATER DISTRICT NO. 1
SHAWNEE COUNTY, KANSAS
STATEMENTS OF CASH FLOWS
For the years ended

	December 31 2023	2022
Cash flows from (used in) operating activities:		
Receipts from customers	$ 1,617,991	$ 1,526,055
Receipts from other revenues	32,054	19,912
Payments to suppliers for goods and services	(1,254,025)	(1,019,569)
Payments to employees for services	(210,081)	(171,076)
Payments for interest expense	(110,244)	(111,368)
Net cash from (used in) operating activities	75,695	243,954
Cash flows from (used in) investing activities:		
Sales of certificates of deposit	486,913	478,243
Purchases of certificates of deposit	(478,125)	(470,742)
Purchase of capital assets	(269,385)	(184,087)
Net cash from (used in) investing activities	(260,597)	(176,586)
Cash flows from (used in) financing activities:		
Principal paid on capital debt	(145,000)	(140,000)
Benefit units sold	68,304	63,187
Net cash from (used in) financing activities	(76,696)	(76,813)
Net increase (decrease) in cash and cash equivalents	(261,598)	(9,445)
Cash and cash equivalents, beginning of year	1,129,175	1,138,620
Cash and cash equivalents, end of year	$ 867,577	$ 1,129,175
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	$ (168,360)	$ (91,386)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	350,011	396,330
Amortization from debt issuance cost		-
(Increase) decrease in operating assets:		
Accounts receivable	(3,543)	(14,173)
Inventory	(135,202)	(29,964)
Prepaid insurance	(5,348)	(6,905)
Increase (decrease) in operating liabilities:		
Accounts payable	9,930	(3,707)
Accrued interest	(1,124)	(1,085)
Accrued PTO	10,141	(3,733)
Accrued wages	15,204	-
Other liabilities	3,986	(1,423)
Net cash provided by operating activities	$ 75,695	$ 243,954

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

1. Organization and Significant Accounting Policies

Organization

Consolidated Rural Water District No. 1, Shawnee County, Kansas (the "District") was organized under Kansas law and is account for as a proprietary fund using the accrual 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, other purposes. The District provides services to patrons in a portion of Shawnee County.

Basis of Accounting

The financial statements of the District are prepared using the accrual method of accounting. Accordingly, revenues are recorded when earned and expenses are recognized when incurred, regardless of the timing of payments.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the District considers all highly liquid investments with original maturities of three months or less to be cash equivalents. For the purposes of the statement of cash flows, the District considers petty cash, money market, and operating cash in bank accounts as cash and cash equivalents.

Accounts Receivable

Accounts receivable consist of current and past due water usage charges and other charges for late fees. The District considers accounts receivable to be fully collectible, accordingly, no allowance for doubtful accounts is considered necessary. In the event accounts become uncollectible, they are charged to operations at the time that determination is made. The accounts receivable balance at December 31, 2023 and 2022 is $130,787 and $127,244

Inventories

Inventories consist of pipe and parts and are recorded at historical cost.

1. Organization and Significant Accounting Policies (continued)

Capital Assets

Property and equipment are recorded at cost. 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. 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 are reflected in the statements of activities.

Depreciation of Capital Assets

Depreciation is recorded on the straight-line method over the estimated useful lives of the assets as follows:

	Years
Buildings	20-50
Distribution system	7-50
Tanks and towers	10-50
Wells and pump house	25-50
Easements	50
Office equipment	5
Equipment	5-10
Chlorination system	10
Vehicles	5

Benefit Units

Benefit units are rights that entitle the holder to water service. Benefit units are presently sold for a range of $3,500, $7,500, and $12,000, depending on size.

Debt Issue Costs

Costs related to the issuance of debt have been capitalized and are being amortized on a straight-line basis over the term of the debt.

Revenue Recognition

Operating revenues consist of those revenues that result from the ongoing principal operations of the District and are recognized when earned. Revenues from the line extensions and the sale of meters are deferred until the District has completed the line of extensions and set the meters.

Income Taxes

The District is a tax-exempt governmental entity and is not subject to income taxes at either the federal or state level. While the District is not required to file tax returns, the payroll activities of the District for at least the most recent three years are subject to examination by the IRS and state taxing authorities.

1. Organization and Significant Accounting Policies (continued)

Operating Revenues and Expenses

Operating revenues are result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

Certificates of Deposits

The District holds Certificate of Deposit accounts at financial institutions that they do not consider to be part of cash and cash equivalents. Amounts deposited into these accounts earn interest at a rate of 2% for the years ended December 31, 2023 and 2022. The values of these accounts are recorded at cost which closely approximates fair value. The balance of these Certificates of Deposit for the years ended December 31, 2023 and 2022 was $478,125 and $470,742. The District held two Certificates of Deposit which were restricted until the repayment of the Bond funds. Both bonds were released from restriction as of December 31, 2022.

Net Position

Net position is classified in the following two components:

Invested in Capital Assets, Net of Related Debt – This represents the District's total investment in capital assets, net of accumulated depreciation and reduced by any outstanding debt attributable to the acquisition, construction or improvements of those assets.

Unrestricted – 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.

2. Capital Assets

Capital assets, together with activity for the years ended consisted of the following:

	December 31 2023	December 31 2022
Depreciable capital assets		
Buildings	$ 52,552	$ 52,552
Distribution system	8,590,027	8,335,367
Tanks and towers	4,019,410	4,019,410
Wells and pump house	354,245	354,245
Easements	7,866	7,866
Office equipment	60,377	60,377
Equipment	71,917	71,917
Chlorination system	20,065	20,065
Construction in process – middle school	14,725	-
Vehicles	115,895	115,895
	13,307,079	13,037,694
Less: accumulated depreciation	(7,833,528)	(7,483,517)
Depreciable capital assets, net	5,473,551	5,554,177
Non-depreciable capital assets		
Land	96,862	96,862
Non- depreciable capital assets, net	96,862	96,862
Total capital assets	$ 5,570,413	$ 5,651,039

Depreciation expense was $350,011 and $396,330 for the years ended December 31, 2023 and 2022.

3. Long Term Debt

Long-term debt also consists of Water System Revenue Bonds issued to the United States Department of Agriculture Office and Land Development in the amount of $4,000,000 with a range of maturity dates of 2020 to 2040, with an interest rate of 3.10% payable semi-annually from utility revenues and secured by these revenues. The proceeds from this issue will be used for various construction projects.

3. Long Term Debt (continued)

The following is a summary of changes in long-term debt for the year ended December 31, 2023:

	Beginning Principal Outstanding	Additions to Principal	Reductions of Principal	Ending Principal Outstanding
Revenue Bonds:				
Series 2020	$ 3,665,000	$ -	$ 145,000	$ 3,520,000

The following is a summary of changes in long-term debt for the year ended December 31, 2022:

	Beginning Principal Outstanding	Additions to Principal	Reductions of Principal	Ending Principal Outstanding
Revenue Bonds:				
Series 2020	$ 3,805,000	$ -	$ 140,000	$ 3,665,000

The debt issuance costs were fully amortized as of December 31, 2023 and 2022.

The annual debt service requirements to maturity for bonded debt as of December 31, 2023 are as follows:

Year Ending December 31,	Principal	Interest Rate
2024	$ 150,000	3.10%
2025	155,000	3.10%
2026	165,000	3.10%
2027	170,000	3.10%
2028	175,000	3.10%
Thereafter	2,705,000	3.10%
	$ 3,520,000	

Interest expense on long-term debt consists of $110,244 and $111,368 for the years ended December 31, 2023 and 2022.

4. Defined Benefit Pension Plans

Plan Description

The District participates in the Kansas Public Employee 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 amend 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 Financial Report which can be found on KPERS website at www.kpers.org, by writing to KPERS (611 S. Kansas Avenue, Topeka, Kansas 66603), or by calling 1-888-275-5737.

4. Defined Benefit Pension Plans (continued)

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate 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. The employer rate established for calendar year 2023 and 2022 ranged from 8.18% to 9.18%. The District employer contributions to KPERS for the years ended December 31, 2023 and 2022 was $22,470 and $18,345.

5. Concentration of Credit Risk and Vendors

The District is engaged in the sale of water to customers located in the area in Shawnee County, Kansas. The District grants credit to those customers and requires no collateral.

As of December 31, 2023 and 2022 there were no concentrations related to accounts payable.

6. Concentration of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

At December 31, 2023 and 2022, cash balances are comprised of demand deposits and certificates of deposit. As required by law, the depository banks are to pledge securities in addition to Federal Deposit Insurance Corporation (FDIC) insurance or obtain surety bonds to equal the amount on deposits at all times. The District has no other policies that would further limit this risk.

Custodial credit risk is the risk that in the event of a bank failure, the district's deposits in excess of coverage may be lost. At both December 31, 2023 and 2022, the District's carrying amounts of deposits, including certificates of deposit, was $1,409,458 and $1,674,355, and the bank balance was $931,333 and $1,203,613, of which $250,000 was covered by FDIC insurance. Collateralized by securities for the years ended December 31, 2023 and 2022 was $1,757,664 and $1,726,338 held in safekeeping pledged to the District. The insured cash sweep (ICS) was closed during 2022 due to projects being completed during the current year. The District was not exposed to credit risk for the years ended December 31, 2023 and 2022.

7. Compensated Absences

The District has a paid time off policy program for employees, which includes vacation and sickness. Employees with less than five years or less of service are eligible for two weeks of vacation. Employees with more than five years of service are eligible for three weeks of vacation. An employee may carryover a maximum of 105 hours (3 weeks) of unused vacation into the next calendar year. At the time which employment ends, all accumulated vacation is paid out to the employee at their current hourly rate. All employees, regardless of tenure, receive sick leave credits. Each employee receives one day of sick leave to accrue per month starting on the first day of employment. Accumulated sick leave up to 490 hours can be carried over into the next calendar year. Accumulated hours over that threshold will be reimbursed to the employee at 50% of their current hourly rate in the month following each calendar year. At the time which employment ends, all accumulated sick leave is paid out to the employee at 50% of their current hourly rate. As of December 31, 2023, vacation and sick leave accumulated by employees greater than the allowable carry over were not paid out until January of 2024. Accrued paid time off for the years ended December 31, 2023 and 2022 was $22,257 and $12,116

8. Subsequent Event

Subsequent events were evaluated through the date of the audit report, which is the date the financial statements were available to be issued. No events were found requiring disclosure in these financial statements.

SUPPLEMENTARY INFORMATION

CONSOLIDATED RURAL WATER DISTRICT NO. 1
SHAWNEE COUNTY, KANSAS
SCHEDULE OF INSURANCE COVERAGE
For the Year Ended December 31, 2023

The District insurance policy is provided by Elliott Insurance, with a premium of $37,999 and covers the period November 5, 2023 to November 5, 2024. It provides the following coverage:

		Coverage
Building and personal property	$	4,433,488
General liability		500,000 / 1,000,000
Contractors equipment		25,000
Linebacker		1,000,000/ 1,000,000
Employee theft		300,000
Equipment		98,379
Auto liability		500,000
Inventory		118,600
Worker's compensation		500,000
Data liability		50,000

CONSOLIDATED RURAL WATER DISTRICT NO. 1
SHAWNEE COUNTY, KANSAS
SCHEDULE OF INSURANCE COVERAGE
For the Year Ended December 31, 2022

The District insurance policy is provided by Elliott Insurance, with a premium of $36,934 and covers the period November 5, 2022 to November 4, 2023. It provides the following coverage:

		Coverage
Building and personal property	$	4,433,488
General liability		500,000 / 1,000,000
Contractors equipment		25,000
Linebacker		1,000,000/ 1,000,000
Employee theft		300,000
Equipment		98,379
Auto liability		500,000
Inventory		118,600
Worker's compensation		500,000
Data liability		50,000