Acord Cox & Scott, LLC
Certified Public Accountants

RURAL WATER DISTRICT NO. 3
MIAMI COUNTY, KANSAS

Financial Statements for the
Years Ended December 31, 2024 and 2023
and Independent Auditors' Report

RURAL WATER DISTRICT NO. 3
MIAMI COUNTY, KANSAS

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)	3-5
FINANCIAL STATEMENTS:	
Statements of Net Position	6
Statements of Revenues, Expenses and Changes in Net Position	7
Statements of Cash Flows	8
Notes to Financial Statements	9-13

Acord Cox & Scott, LLC
Certified Public Accountants

9325 Pflumm Rd. Lenexa, KS 66215
913•541•1993

INDEPENDENT AUDITORS' REPORT

Board of Directors and Members
Rural Water District No. 3
Miami County, Kansas

Qualified Opinion

We have audited the accompanying financial statements of Rural Water District No. 3, Miami County (the "District"), which comprise the statements of net position as of December 31, 2024 and 2023, 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.

In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion section, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the District as of December 31, 2024 and 2023, 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.

Basis for Qualified Opinion

As more fully described in Note 6 to the financial statements, the District has not implemented GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions"* and therefore the financial statements referred to above are not presented in accordance with accounting principles generally accepted in the United States of America.

GASB 68, which is effective for fiscal years beginning after June 15, 2014, requires entities to report their "share" of the net unfunded pension liability as an obligation on the face of the Statement of Net Position along with certain other detailed footnote disclosures related to the pension plan including, among other things, the actuarial assumptions used to determine the pension liability.

The District participates in the Kansas Public Employees Retirement System (KPERS), a multiple employer public employee defined benefit plan. In 2024 and 2023, KPERS computed and published the net pension liability (NPL) as of June 30, 2024 and June 30, 2023 for each participating employer.

The implementation of GASB No. 68 would have resulted in the District recording a net pension liability of approximately $40,000 and $53,000 at December 31, 2024 and 2023, respectively.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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 auditors' 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 the District'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 the District'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: Management's Discussion and Analysis

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 is the responsibility of management and, 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.

Accord Cox + Scott, LLC

March 12, 2025

Rural Water District No. 3
Miami County, Kansas

Management's Discussion and Analysis

This section of the Rural Water District No. 3, Miami County, Kansas annual financial report presents an analysis of the District's financial performance during the year ended December 31, 2024. 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. 3 Financial Overview for 2024

- The District's total assets decreased by $16,572 from $3,679,204 in 2023 to $3,662,632 in 2024.
- The District's revenues from water sales increased by $50,576 from $797,982 in 2023 to $848,558 in 2024.
- The District's costs and operating expenses decreased by $49,114 from $451,074 in 2023 to $401,960 in 2024.
- During 2024 the District made capital expense investments of $136,884.

Overview of the Financial Statements

This report will include the Management's Discussion and Analysis, Financial Statements for the years ended December 31, 2024 and 2023 along with the Independent Auditors' Report. The Independent Auditors' Report will include notes and supporting details for information presented in the 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 December 31, 2024 and 2023. 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

	2024	2023	Dollar Change	Percent Change
Current and other assets	1,285,873	1,332,635	(46,762)	-3.5%
Capital assets, net	2,376,759	2,346,569	30,190	1.3%
Total Assets	**3,662,632**	**3,679,204**	(16,572)	-0.5%
Long-term Debt, less current	147,350	186,671	(39,321)	-21.1%
Current Liabilties	108,578	135,095	(26,517)	-19.6%
Total Liabilities	**255,928**	**321,766**	(65,838)	-20.5%
Net position invested in capital assets, net of related debt	2,190,273	2,122,818	67,455	3.2%
Unrestricted	1,216,431	1,234,620	(18,189)	-1.5%
Total Net Position	**3,406,704**	**3,357,438**	49,266	1.5%

Total assets decreased by $16,572 from $3,679,204 in 2023 to $3,662,632 in 2024. This is primarily a result of a net decrease in inventory. Current assets consist primarily of cash, receivables, inventory and certificates of deposit.

Total liabilities decreased by $65,838 from $321,766 in 2023 to $255,928 in 2024. This is primarily due to a net decrease in accounts payable and long term debt.

Total net position increased by $49,266 from $3,357,438 in 2023 to $3,406,704 in 2024.

Table 2
Condensed Statements of Activities and Changes in Net Position

	2024	2023	Dollar Change	Percent Change
Operating Revenues, Net	358,379	437,844	(79,465)	-18.1%
Non-operating Revenues	31,778	19,896	11,882	59.7%
Total Revenues	**390,157**	**457,740**	**(67,583)**	**-14.8%**
Depreciation Expense	106,694	100,233	6,461	6.4%
Other Operating Expense	295,266	350,841	(55,575)	-15.8%
Non-operating Expense	10,866	5,979	4,887	100.0%
Total Expenses	**412,826**	**457,053**	**(44,227)**	**-9.7%**
Income (Loss) Before Captial Contributions	(22,669)	687	(23,356)	-3399.7%
Capital Contributions	71,935	22,000	49,935	227.0%
Changes in Net Position	49,266	22,687	26,579	117.2%
Beginning Net Position	3,357,438	3,334,751	22,687	0.7%
Total Net Position	**3,406,704**	**3,357,438**	**49,266**	**1.5%**

The Statements of Activities 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, the District had a loss before capital contributions of $22,669. The operating loss, combined with capital contributions of $71,935, resulted in a net increase in net position of $49,266 for the year ended December 31, 2024.

The District's net operating revenues decreased by $79,465 from $437,844 in 2023 to $358,379 in 2024. Total expenses decreased by $44,227 from $457,053 in 2023 to $412,826 in 2024. A decrease in repairs, maintenance and supplies attributed to the overall decrease in expense.

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. 3, Miami County, KS Business Manager at P. O. Box 35 Osawatomie, KS 66064.

RURAL WATER DISTRICT NO. 3
MIAMI COUNTY, KANSAS

STATEMENTS OF NET POSITION
DECEMBER 31, 2024 AND 2023

ASSETS	2024	2023
CURRENT ASSETS		
Cash and cash equivalents	$ 582,419	$ 569,293
Accounts receivable	83,886	80,204
Prepaid expense	9,621	5,409
Inventory	173,438	262,479
Certificates of deposit	436,509	415,250
Total current assets	1,285,873	1,332,635
CAPITAL ASSETS		
Nondepreciable capital assets	51,225	51,225
Depreciable capital assets	5,742,972	5,606,088
Less accumulated depreciation	(3,417,438)	(3,310,744)
Depreciable capital assets, net	2,325,534	2,295,344
Total capital assets, net	2,376,759	2,346,569
Total assets	$ 3,662,632	$ 3,679,204
LIABILITIES		
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 39,136	$ 37,080
Accounts payable	21,585	50,306
Accrued liabilities	2,857	2,709
Advance benefit unit payments	45,000	45,000
Total current liabilities	108,578	135,095
LONG-TERM DEBT, less current maturities	147,350	186,671
Total liabilities	255,928	321,766
NET POSITION		
Invested in capital assets, net of related debt	2,190,273	2,122,818
Unrestricted	1,216,431	1,234,620
Total net position	$ 3,406,704	$ 3,357,438

See notes to financial statements.

RURAL WATER DISTRICT NO. 3
MIAMI COUNTY, KANSAS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
WATER SALES	$ 848,558	$ 797,982
COST OF WATER PURCHASED	490,179	360,138
GROSS PROFIT	358,379	437,844
COSTS AND OPERATING EXPENSES		
Salaries	54,801	71,455
KPERS	4,549	6,017
Payroll taxes	3,820	4,217
Repair, maintenance and supplies	65,986	115,813
Contract labor	72,998	72,071
Utilities and telephone	21,401	23,241
Vehicle expense	2,827	1,444
Professional fees	15,155	12,750
Water taxes	3,366	2,535
Water samples	1,195	1,487
Office supplies	12,622	12,364
Insurance	16,723	17,688
Dues and conventions expense	6,998	7,562
Other	12,825	2,197
Depreciation	106,694	100,233
	401,960	451,074
LOSS FROM OPERATIONS	(43,581)	(13,230)
NON-OPERATING REVENUES (EXPENSES):		
Interest income	31,778	19,896
Interest expense	(10,866)	(5,979)
	20,912	13,917
INCOME (LOSS) BEFORE CONTRIBUTIONS	(22,669)	687
CONTRIBUTIONS - BENEFIT UNITS AND AID-IN CONSTRUCTION	71,935	22,000
INCREASE IN NET POSITION	49,266	22,687
NET POSITION, BEGINNING OF YEAR	3,357,438	3,334,751
NET POSITION, END OF YEAR	$ 3,406,704	$ 3,357,438

See notes to financial statements.

RURAL WATER DISTRICT NO. 3
MIAMI COUNTY, KANSAS

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
OPERATING ACTIVITIES:		
Cash received from members for water	$ 844,876	$ 791,799
Cash payments to suppliers for goods and services	(666,019)	(783,880)
Cash payments to employees for services	(63,170)	(81,689)
Net cash provided by (used in) operating activities	115,687	(73,770)
CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from sale of benefit units and extensions	71,935	22,000
Change in long-term debt	(37,265)	223,751
Interest and loan fees paid	(10,866)	(5,979)
Acquisition and construction of fixed assets	(136,884)	(325,198)
Net cash used in capital and related financing activities	(113,080)	(85,426)
INVESTING ACTIVITIES:		
Change in certificates of deposit	(21,259)	(415,250)
Interest received	31,778	19,896
Net cash provided by (used in) investing activities	10,519	(395,354)
NET CHANGE IN CASH AND CASH EQUIVALENTS	13,126	(554,550)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	569,293	1,123,843
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 582,419	$ 569,293
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating income (loss)	$ (43,581)	$ (13,230)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	106,694	100,233
Changes in:		
Accounts receivable	(3,682)	(1,683)
Inventories	89,041	(169,677)
Prepaid expense and other current assets	(4,212)	1,003
Accounts payable and other current liabilities	(28,573)	9,584
Net cash provided by (used in) operating activities	$ 115,687	$ (73,770)

See notes to financial statements.

RURAL WATER DISTRICT NO. 3
MIAMI COUNTY, KANSAS

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

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 December 31, 2024 and 2023 were 1,058 and 1051.

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 statements 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. Debt Issue Costs – Costs related to the issuance of debt are expensed as incurred.

f. Capital Assets – Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The cost of maintenance and repairs is charged to income as incurred; significant renewals and improvements are capitalized.

g. Income Taxes – The District is a quasi-governmental unit, not subject to federal or state income taxes.

h. 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.

i. Net position – Net position represents the difference between assets and liabilities in the financial statements. 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 does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

j. 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.

3. CASH AND INVESTMENTS

At December 31, 2024 and 2023, the carrying amounts of the District's deposits and certificates of deposit were covered by federal depository insurance or by collateral held by the District's agent in the District's name. The balance held in the Municipal Investment Pool at December 31, 2024 and 2023 was $3.

4. CAPITAL ASSETS

Changes in capital assets were as follows:

	2023	Additions	Disposals & Transfers	2024
Nondepreciable capital assets:				
Land	26,225	-	-	26,225
Construction in process	25,000	-	-	25,000
	51,225	-	-	51,225
Depreciable capital assets:				
Building	176,237	-	-	176,237
Transmission and distribution	5,199,081	114,840	-	5,313,921
Pumps	158,753	22,044	-	180,797
Furniture and fixtures	72,017	-	-	72,017
	5,606,088	136,884	-	5,742,972
Less accumulated depreciation	(3,310,744)	(106,694)	-	(3,417,438)
Depreciable capital assets, net	2,295,344	30,190	-	2,325,534
Total capital assets, net	2,346,569	30,190	-	2,376,759

	2022	Additions	Disposals & Transfers	2023
Nondepreciable capital assets:				
Land	25,845	380	-	26,225
Construction in process	17,832	25,000	(17,832)	25,000
	43,677	25,380	(17,832)	51,225
Depreciable capital assets:				
Building	176,237	-	-	176,237
Transmission and distribution	4,895,385	285,864	17,832	5,199,081
Pumps	144,799	13,954	-	158,753
Furniture and fixtures	72,017	-	-	72,017
	5,288,438	299,818	17,832	5,606,088
Less accumulated depreciation	(3,210,511)	(100,233)	-	(3,310,744)
Depreciable capital assets, net	2,077,927	199,585	17,832	2,295,344
Total capital assets, net	2,121,604	224,965	-	2,346,569

5. LONG-TERM DEBT

On May 8, 2023, the District entered into a financing agreement with the First Option Bank for a loan in the amount of $244,342. The loan matures on May 15, 2029 and bears interest at the rate of 5.25%. Monthly payments of $4,024 began July 15, 2023. Long-term debt activity for the year ended December 31, 2024 was as follows:

	2023	Additions	Retirements	2024	Current Portion	Interest Paid
Long-term debt	$ 223,751	-	37,265	$ 186,486	39,136	10,866

Scheduled maturities of long-term debt and interest through maturity are as follows:

	Principal	Interest	Total
2025	$ 39,136	$ 9,149	$ 48,285
2026	41,270	7,014	48,284
2027	43,522	4,763	48,285
2028	45,887	2,397	48,284
2029	16,671	264	17,120
	$ 186,486	$ 23,587	$ 210,258

6. PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS

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. The 2024 and 2023 payroll for employees covered by the System was $43,245 and $66,346.

Covered employees are required by state statute to contribute statutorily defined rates of their salary 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 contribution requirement for the years ended December 31, 2024 and 2023 was $6,599 and $9,702, which consisted of $2,595 and $3,772 from employees and $4,005 and $5,930 from the District; these contributions represented approximately 15.3% and 14.6% of 2024 and 2023 covered payroll.

Effective for fiscal years beginning after June 15, 2014, GASB issued Statement No. 68, “Accounting and Financial Reporting for Pensions”, which 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.

As of December 31, 2024, the District has not implemented GASB Statement No. 68 and therefore has not recorded a liability for its proportionate share of the unfunded liability in their pension plan on the balance sheet. If the District implemented GASB Statement No. 68, the District would have reported a liability of

approximately $40,000 and $53,000 at December 31, 2024 and 2023, respectively, for its proportionate share of the net pension liability.

Other Post-Employment Benefits

Substantially all of the District's employees are covered by a long-term disability benefit plan sponsored by KPERS.

Effective for fiscal years beginning after June 15, 2017, GASB issued Statement No. 75, "Accounting and financial reporting for other post-employment benefits", which establishes accounting and financial reporting for OPEB provided to the employees of state and local government employers. GASB 75 requires a liability for OPEB obligations, known as the Total OPEB Liability (for unfunded plans) to be recognized on the balance sheets of participating employers. Changes in the Total OPEB Liability will be immediately recognized as OPEB Expense on the income statement or reported as deferred inflows/outflows of resources depending on the nature of the change.

As of December 31, 2024, the District has not implemented GASB Statement No. 75 as it was determined the implementation would not have a material effect on the financial statements.

7. 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 December 31, 2024 and 2023 amounted to $995 and $404 respectively.

8. RELATED PARTY TRANSACTIONS

The District utilizes a contractor ("the Contractor") whose spouse is a member of the District's board of directors. During 2024 and 2023 the Contractor was paid $119,269 and $181,529 respectively.

The District is a member of Public Wholesale Water District #13 (PWWD 13) and has water purchase agreement with the PWD which includes minimum purchase rates and terms defined in the agreement. For the years ended December 31, 2024 and 2023, the District purchased $125,277 and $103,777, respectively, of water from PWWD 13.

9. 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 December 31, 2024 or 2023.

* * * * *