CONSOLIDATED
RURAL WATER DISTRICT #1, INC.
CRAWFORD COUNTY, KANSAS

Regulatory Basis Financial Statement,
Independent Auditors' Report, and
Regulatory-Required Supplementary Information
For the Year Ended
December 31, 2024

CONSOLIDATED RURAL WATER DISTRICT #1, INC.
CRAWFORD COUNTY, KANSAS

TABLE OF CONTENTS

	PAGE NUMBER
Independent Auditors' Report	1 - 3
Basic Financial Statement:	
Summary Statement of Regulatory Basis Receipts, Expenditures and Unencumbered Cash	4
Notes to the Financial Statement	5 - 11
Regulatory-Required Supplementary Information:	
Schedule 1	
Schedule of Regulatory Basis Receipts and Expenditures – Actual Water Utility Fund	12

Diehl
Banwart
Bolton
Certified Public Accountants PA

INDEPENDENT AUDITORS' REPORT

Board of Directors and management
Consolidated Rural Water District #1, Inc.
Crawford County, Kansas

Adverse and Unmodified Opinions
We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Consolidated Rural Water District #1, Inc., Crawford County, Kansas (the District), as of and for the year ended December 31, 2024 and the related notes to the financial statement.

Adverse Opinion on U.S. Generally Accepted Accounting Principles
In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2024, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting
In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the District as of December 31, 2024, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Basis for Adverse and Unmodified Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the *Kansas Municipal Audit and Accounting Guide.* Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles
As discussed in Note 1 of the financial statement, the financial statement is prepared by the District on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide,* which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management for the Financial Statement
Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, 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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 GAAS 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 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 statement.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, 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 statement.
- 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 statement.
- 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The schedule of receipts and expenditures - actual - regulatory basis (Schedule 1 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement, however is required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated in all material respects, in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Prior Year Comparative Numbers

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the District as of and for the year ended December 31, 2023 (not presented herein), and have issued our report thereon dated March 11, 2024, which contained an unmodified opinion on the basic financial statement. The 2023 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link https://admin.ks.gov/offices/accounts-reports/local-government/municipal-services. The 2023 actual column (2023 comparative information) presented in the individual fund schedule of regulatory basis receipts and expenditures—actual for the year ended December 31, 2024 (Schedule 1 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2023 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2023 basic financial statement. The 2023 comparative information was subjected to the auditing procedures applied in the audit of the 2023 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2023 basic financial statement or to the 2023 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2023 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2023, on the basis of accounting described in Note 1.

Diehl, Banwart, Bolton, CPAs PA

DIEHL, BANWART, BOLTON, CPAs PA

March 12, 2025
Fort Scott, Kansas

CONSOLIDATED RURAL WATER DISTRICT #1, INC.
CRAWFORD COUNTY, KANSAS
Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2024

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
Business Funds:						
Water Utility	$ 228,009.67	$ 1,751,926.79	$ 1,597,253.03	$ 382,683.43	$ 14,491.38	$ 397,174.81

Certificates of Deposit	$ 65,457.29
Cash in Bank - operating account	1,367.21
Cash in Bank - money market account	330,350.31
Totals	$ 397,174.81

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

CONSOLIDATED RURAL WATER DISTRICT #1, INC.
CRAWFORD COUNTY, KANSAS

Notes to Financial Statement
For the Year Ended December 31, 2024

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statement of Consolidated Rural Water District #1, Inc., Crawford County, Kansas, has been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Kansas Municipal Audit and Accounting Guide (KMAAG) as approved by the Director of the Kansas Division of Accounts and Reports establish the guidelines for the regulatory basis of accounting in the State of Kansas. The more significant of the District's accounting policies follow.

Nature of Organization: Consolidated Rural Water District #1, Inc., Crawford County, Kansas is located in Crawford County, Kansas. The District pumps treated water from wells and purchases water to blend with the treated water. The water is then sold to over 800 rural customers. Accordingly, the District's operations are dependent upon the economic conditions of the area.

In 1986, the members of Crawford County Rural Water District #7, Inc., and Crawford County Rural Water District #8, Inc., voted to consolidate their two water districts into one District, effective January 1, 1987. All of the assets, liabilities, and equity of the two districts were combined to form Consolidated Rural Water District #1, Inc., of Crawford County, Kansas.

Reporting Entity
Consolidated Rural Water District #1, Inc., Crawford County, Kansas, is a municipal corporation governed by an elected seven member council. There are no related municipal entities which should be accounted for in the District's financial statement.

Basis of Presentation - Fund Accounting
A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restriction, or limitations.

The following types of funds comprise the financial activities of Consolidated Rural Water District #1, Inc., Crawford County, Kansas:

Business fund – funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service fund, etc.).

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the District to use the regulatory basis of accounting.

Budgetary Information
Kansas statutes do not require budgets for rural water districts.

Deposits and Investments
Deposits and investments include a non-interest bearing checking account, money market checking account and certificates of deposit. Kansas statutes permit investment in checking accounts, savings accounts, certificates of deposit, and, in certain cases, obligations of the U.S. Treasury.

Compensated Absences
The District does not provide sick or vacation benefits beyond the year earned.

Income Taxes
Consolidated Rural Water District #1, Inc., of Crawford County, Kansas, is recognized by the Internal Revenue Service as a municipality corporation, and is exempt from Federal and State income taxes. Accordingly, this financial statement does not include a provision for income taxes.

Termination and Post Employment Benefits
The District does not offer termination or post employment benefits.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Kansas Statutes
This financial statement has been prepared in order to show compliance with the cash basis laws and statutes of Kansas. The District was in apparent compliance with the cash basis laws and statutes of Kansas.

3. CASH, INVESTMENTS AND DEPOSITS WITH FINANCIAL INSTITUTIONS

K.S.A. 9-1401 establishes the depositories, which may be used by the District. The statue requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, 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 investment 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, but has limited the investments to time deposits at the local bank.

Concentration of credit risk. State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

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%. The District does not have any "peak periods" designated. All deposits were legally secured at December 31, 2024.

At December 31, 2024, the District's carrying amount of deposits was $397,174.81 and the bank balance was $405,517.80. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, $259,710.20 was covered by federal depository insurance and $145,807.60 was collateralized with securities. Securities totaling $1,074,652.09 were held by the pledging financial institution's agents in the District's name.

4. BENEFIT UNIT DEPOSITS

Customers of the District are required to pay a deposit for a benefit unit prior to connecting to a rural water line. In 2024, new benefit units and deposits totaling $54,744.28 were received by the District.

5. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets, errors and omissions; injuries to employees; employees' health and life; and natural disasters. The District manages these risks of loss through various commercial insurance policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

6. FIXED ASSETS

As discussed in Note 1, regulatory basis financial statements do not record property, plant and equipment as assets of the District. In addition, depreciation expense in the assets is not recorded. However, the District does keep track of fixed assets and the depreciation thereon for internal monitoring. Plant and equipment are capitalized at cost and are depreciated on the straight-line method over the estimated useful life of the assets as follows:

Office Equipment	5 Years
Machinery	7 Years
Plant and Equipment	7 to 50 Years

Maintenance and repairs are charged to expense as incurred. Major renewals and improvements are capitalized.

Fixed assets changed for the year as follows:

Fixed Asset	Beginning Balance	Additions	Deletions	Ending Balance
Plant & Equipment	$ 8,542,778.98	$ 1,021,104.95	$ -	$ 9,563,883.93
Office Equipment	3,246.60	-	-	3,246.60
Trucks	33,083.00	-	-	33,083.00
Land	7,268.63	-	-	7,268.63
	$ 8,586,377.21	$ 1,021,104.95	$ -	$ 9,607,482.16
Accumulated Depreciation	$ 3,895,937.18	$ 252,236.04	$ -	$ 4,148,173.22

7. PENSION PLAN

General Information About the Plan

Plan description. The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined 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 Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, Kansas 66603), or by calling 1-888-275-5737.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employees is a KPERS 1, KPERS 2 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 the provisions of Section 414(h) of the Internal Revenue Code.

7. PENSION PLAN (Continued)

State law provides that employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases on the employer contribution 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 8.26% for the year ended December 31, 2024. Contributions to the pension plan from the District were $10,283.01 for the year ended December 31, 2024.

Net Pension Liability

At December 31, 2024, the District's proportionate share of the collective net pension liability reported by KPERS was $97,523, and the total net pension liability for KPERS was $10,290,865,809. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023, which was rolled forward to June 30, 2024. The District's proportion of the net pension liability was based on the ratio of the District's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

The complete actuarial 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 at www.kpers.org or can be obtained as described above.

8. ECONOMIC DEPENDENCY

The District purchases water for resale from Bone Creek. Water purchased for the year totaled $76,019.90.

9. NOTES PAYABLE

The District has a note payable with Community National Bank & Trust to finance the construction of a new water treatment plant. The note is dated November 1, 2011, with a scheduled maturity of April 2026. The note requires monthly payments of $8,831.30 including interest at 3.79%, and is secured by two real estate mortgages, all tanks, lines, meters, present and future accounts, proceeds arising there from, contract rights, books and records, and general intangibles now owned, purchased with loan proceeds, or hereafter acquired, and all additions and accessions thereto. As of December 31, 2024, the note balance was $590,433.73.

On October 12, 2023, the District borrowed $446,308.21 from Community National Bank & Trust to pay off loans 3289 and 4720 and received a deposit of $40,000 to fund further improvements. The note is dated October 12, 2023, with a scheduled maturity of October 12, 2033. The note requires monthly payments of $4,949.85 including interest at 5.89% and is secured by the same property securing the 2011 note and new meters. As of December 31, 2024, the note balance was $406,431.36.

9. NOTES PAYABLE (Continued)

Changes in long-term liabilities for the District for the year ended December 31, 2024, were as follows:

Note	Balances Beginning of Year	Additions/ New Debt	Reductions/ Principal Paid	Balances End of Year	Interest Paid
Long-Term Debt Payable					
CNB #2767, 2011 Note	$ 673,714.67	$ -	$ 83,280.94	$ 590,433.73	$24,350.06
CNB #4775, 2023 Note	441,065.63	-	34,634.27	406,431.36	25,315.58
Total	$ 1,114,780.30	$ -	$ 117,915.21	$ 996,865.09	$49,665.64

Current maturities of the loan payable and interest for the next five years and in five year increments through maturity are as follows:

December 31,	PRINCIPAL	INTEREST	TOTAL
2025	$ 121,446.39	$ 43,927.45	$ 165,373.84
2026	126,929.38	38,444.46	165,373.84
2027	132,672.16	32,701.68	165,373.84
2028	138,687.68	26,686.16	165,373.84
2029	144,989.65	20,384.19	165,373.84
2030 - 2034	333,314.64	27,218.79	360,533.43
TOTAL	$ 998,039.90	$ 189,362.73	$1,187,402.63

10. LONG-TERM OBLIGATIONS

Water Purchase Contracts

On December 14, 2004, the District entered into a 40 year water purchase contract with Public Wholesale Water Supply District #11. The District is contractually obligated to purchase no more than two million gallons of water each month from PWWSD #11, which was reduced to one million gallons of water each month after the District built their water plant. The District agrees to pay PWWSD #11 $2.90 per thousand gallons of water.

Water Sales Contracts

On May 13, 1981, the District entered into a water sales contract with Rural Water District #2, Crawford County, Kansas. RWD #2 is contractually obligated to purchase water each month from the District. For the current year, sales to Rural Water District #2 totaled $87,348.00.

11. STATE OF KANSAS REIMBURSEMENTS

The District is relocating water lines for the State of Kansas along Highway 7. The project began during 2023 and is ongoing. The District submits invoices to the State of Kansas and pays the contractors once payment has been received from the State. During 2024, the District received $993,174.17 from the State of Kansas and paid Tom Hizey $993,174.17 for relocating water lines for the Highway 7 project.

12. SUBSEQUENT EVENTS

Management has evaluated events and transactions occurring subsequent to December 31, 2024 through March 13, 2025, the date of the financial statement. During this period, there were no subsequent events requiring recognition in the financial statement or disclosure in the notes to the financial statement.

REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION

Schedule 1

CONSOLIDATED RURAL WATER DISTRICT #1, INC.
CRAWFORD COUNTY, KANSAS
WATER UTILITY FUND
Schedule of Receipts and Expenditures - Regulatory Basis
For the Year Ended December 31, 2024
(With Comparative Actual Amounts for the Year Ended December 31, 2023)

	2023 Actual	2024 Actual
Cash Receipts		
Operating Receipts		
Metered water sales	$ 324,588.23	$ 363,312.01
Debt service fees	298,960.43	315,452.33
Penalties	9,890.97	10,660.74
Nonoperating Receipts		
Proceeds from note payable	809,307.96	-
Interest income	1,220.78	2,079.28
State of Kansas	915,693.12	993,174.17
Miscellaneous	6,931.63	12,503.98
Benefit Unit deposits	125,500.00	54,744.28
Total Cash Receipts	2,492,093.12	1,751,926.79
Expenditures		
Operating Expenditures		
Water purchased	87,557.11	76,019.90
Repairs and maintenance	82,242.32	64,006.51
Office salaries	37,586.84	34,826.20
Operating salaries	71,375.88	65,397.88
Board expenses	1,600.00	1,400.00
Operating supplies	19,331.41	26,378.14
Utilities and telephone	63,372.48	62,323.78
Office supplies	8,701.99	8,396.22
Insurance	23,890.25	20,599.75
Vehicle expense	9,131.21	16,512.44
Payroll taxes	8,448.34	7,768.40
KPERS	10,275.31	10,283.01
Legal and accounting	4,346.50	4,799.50
Mileage and travel	5,212.12	3,502.77
Sales taxes and fees	4,659.79	4,840.78
Miscellaneous expense	2,702.46	1,511.95
Nonoperating Expenditures		
Debt Service		
Principal paid	501,594.30	117,915.21
Interest paid	43,669.78	49,665.64
Capital Outlays	1,504,496.60	1,021,104.95
Total Expenditures	2,490,194.69	1,597,253.03
Receipts Over (Under) Expenditures	1,898.43	154,673.76
Unencumbered Cash, Beginning	226,111.24	228,009.67
Unencumbered Cash, Ending	$ 228,009.67	$ 382,683.43