CONSOLIDATED RURAL WATER DISTRICT NO. 1
MONTGOMERY COUNTY, KANSAS

FINANCIAL STATEMENT

with

INDEPENDENT AUDITORS' REPORT

and

SUPPLEMENTARY INFORMATION

December 31, 2023

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INDEPENDENT AUDITORS' REPORT

Adverse and Unmodified Opinions

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Montgomery County Consolidated Rural Water District No. 1 (the District), as of and for the year ended December 31, 2023 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, 2023, 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, 2023, 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 opinion.

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 summary of regulatory basis receipts and expenditures 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.

Jennifer L. Eichinger, CPA, LLC

Jennifer L. Eichinger, CPA, LLC
Parsons, KS
February 13, 2025

CONSOLIDATED RURAL WATER DISTRICT NO. 1
MONTGOMERY COUNTY, KANSAS
SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
Regulatory Basis
For the Fiscal Year Ended December 31, 2023

FUNDS	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
BUSINESS FUND:							
Water Operations Fund	$ 335,839	$ -	$ 722,525	$ 751,887	$ 306,477	$ 51,528	$ 358,005
TOTAL REPORTING ENTITY	$ 335,839	$ -	$ 722,525	$ 751,887	$ 306,477	$ 51,528	$ 358,005

COMPOSITION OF CASH

RCB Bank:	
Account No. 51888	$ 114,046
Account No. 104043	90,242
Great Plains Federal Credit Union:	
Account No. 201518 - Share Account	3,180
Account No. 201518 - ID - 51	100,361
Account No. 201518 - ID - 52	50,176
Total Reporting Entity	$ 358,005

See accompanying independent auditors' report

CONSOLIDATED RURAL WATER DISTRICT NO. 1
MONTGOMERY COUNTY, KANSAS
NOTES TO THE FINANCIAL STATEMENT
December 31, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Municipal Financial Reporting Entity

The Consolidated Rural Water District No. 1, of Montgomery County, Kansas, is a municipality governed by a five-member Board of Directors. The members of the Water District elect the Board of Directors. There are no component units. The Water District's purpose is to purchase and sell water to rural patrons.

Regulatory Basis Fund Types

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, restrictions, or limitations.

The following type of fund comprises the financial activities of the Water District: *Business Fund* — funds financed in whole or in part by fees charged to users of the goods or services.

Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The Kansas Municipal Accounting and Auditing Guide (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 revenues 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 municipality 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 municipality to use the regulatory basis of accounting.

Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures. Balance sheets that would have shown non-cash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Departure from Accounting Principles Generally Accepted in the United States of America (continued)
Capital assets that account for the land, buildings, and equipment owned by the Water District are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

Budgetary Information
A legal operating budget is not required for the Water District. Spending in the Water District's fund is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Subsequent Events
Subsequent events have been evaluated through February 13, 2025, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statement would be required.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY COMPLIANCE WITH FINANCE RELATED LEGAL AND CONTRACTUAL MATTERS

Management is not aware of any statutory, finance related or contractual violations.

NOTE 3. DEPOSITS AND INVESTMENTS

As of December 31, 2023, the Water District had no investments.

K.S.A. 9-1401 establishes the depositories which may be used by the Water District. The statute requires banks eligible to hold the Water 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 Water District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Water 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 Water District has no investment policy that would further limit its investment choices.

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk— deposits. Custodial credit risk is the risk that in the event of a bank failure, the Water District's deposits may not be returned to it. State statutes require the Water 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 Water District did not designate any "peak periods" for 2023. All deposits were legally secured as of December 31, 2023.

At December 31, 2023, the carrying amount of the Water District's deposits was $358,005 and the bank balance was $368,011. The difference between the bank balance and the carrying amount was due to outstanding deposits and checks. The bank deposits were held by two banks resulting in a concentration of credit risk. All of the bank balance was covered by federal depository insurance at December 31, 2023.

NOTE 4. COMPENSATED ABSENCES

Sick leave is granted by the Board only on an informal basis. There is no written policy.

The Manager of operations is granted 10 days of paid vacation each year. There are two full-time employees of the Water District.

No liability for accrued vacation and sick pay is reflected on the financial statements. Neither the actual or estimated amount of the liability was available at December 31, 2023. The cost of vacation and sick pay is recognized as an expenditures when paid.

NOTE 5. RISK MANAGEMENT

The Water District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions; and natural disasters for which the Water District carries commercial insurance. Settlements of claims have not exceeded coverage during the past three fiscal years.

NOTE 6. ECONOMIC DEPENDENCY

The Water District is dependent upon two cities, Coffeyville, Kansas and Independence, Kansas and the Public Wholesale Water Supply District No. 20 (PWWSD) to supply the Water District with all the water it sells.

NOTE 7. COMMITMENTS

The Water District has a contract with the PWWSD to pay for a guaranteed minimum monthly commitment of water. If during the calendar year the Water District pays for more water than it consumes, it receives a credit against future water bills.

SUPPLEMENTARY INFORMATION

CONSOLIDATED RURAL WATER DISTRICT NO. 1
MONTGOMERY COUNTY, KANSAS
SCHEDULE OF RECEIPTS AND EXPENDITURES
Regulatory Basis
WATER OPERATIONS FUND

For the Fiscal Year Ended December 31, 2023

	Actual
RECEIPTS	
Water sales and late charges	$ 574,907
Assessments	71,883
Penalties	18,906
New installations	16,000
Interest earned	3,870
Insurance dividends	7,688
Miscellaneous receipts	29,271
TOTAL RECEIPTS	722,525
EXPENDITURES	
Water purchased	276,357
Contract labor	1,125
Dues and fees	920
Equipment rental	19,643
Insurance, bonds	24,176
Office expense	14,355
Professional fees	9,377
Repairs and maintenance	134,721
Salaries	136,834
Payroll and water taxes	15,626
Travel	1,562
Truck expense and miscellaneous	78,478
Utilities and phone	38,713
TOTAL EXPENDITURES	751,887
Receipts (Under) Expenditures	(29,362)
Unencumbered Cash, Beginning	335,839
Unencumbered Cash, Ending	$ 306,477