RURAL WATER DISTRICT NO. 5
ANDERSON COUNTY, KANSAS

Independent Auditor's Report
and Financial Statement with
Supplementary Information

For the Year Ended
December 31, 2023

RURAL WATER DISTRICT NO. 5
Anderson County, Kansas
For the Year Ended December 31, 2023

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JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rural Water District No. 5
Anderson County, Kansas

Adverse and Unmodified Opinions
We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Rural Water District No. 5, Anderson County, Kansas, 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 Rural Water District No. 5, Anderson County, Kansas 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 Rural Water District No. 5, Anderson County, Kansas 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 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 Rural Water District No. 5, Anderson County, Kansas 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 for each individual fund (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.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of Rural Water District No. 5, Anderson County, Kansas as of and for the year ended December 31, 2022 (not presented herein), and have issued our report thereon dated June 1, 2023, which contained an unmodified opinion on the basic financial statement. The 2022 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 2022 actual column (2022 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures—actual for the year ended December 31, 2023 (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 2022 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 2022 basic financial statement. The 2022 comparative information was subjected to the auditing procedures applied in the audit of the 2022 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 2022 basic financial statement or to the 2022 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 2022 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, 2022, on the basis of accounting described in Note 1.

Other 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 costs of operations is presented for purposes of additional analysis and is not a required part of the basic financial statement.

The schedule of costs of operations (Schedule 2 as listed in the table of contents) has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we do not express an opinion or provide any assurance on them.

Jarred, Gilmore & Phillips, PA

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

July 10, 2024
Chanute, Kansas

RURAL WATER DISTRICT NO. 5
Anderson County, Kansas
Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2023

Funds	Beginning Unencumbered Cash Balances	Receipts	Expenditures	Ending Unencumbered Cash Balances	Add Encumbrances and Accounts Payable	Ending Cash Balance December 31, 2023
Business Funds:						
Water Utility	$ 245,819.70	$ 743,869.32	$ 606,239.12	$ 383,449.90	$ 53,730.83	$ 437,180.73
Total Reporting Entity	$ 245,819.70	$ 743,869.32	$ 606,239.12	$ 383,449.90	$ 53,730.83	$ 437,180.73

Composition of Cash:	
Cash on Hand	$ 100.00
Checking Account	436,938.22
Petty Cash Checking Account	142.51
Total Composition of Cash	$ 437,180.73

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

RURAL WATER DISTICT NO. 5
Anderson County, Kansas

Notes to Financial Statement
For the Year Ended December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Rural Water District No. 5, Anderson County, Kansas (the District) was organized under Kansas law and provides water to rural Anderson, Allen, and Coffey counties in Kansas. Rural Water District No. 5, Anderson County, Kansas is a municipal corporation governed by an elected nine member board.

Related Municipal Entities: A related municipal entity is determined by the following criteria. Whether the District exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of the public service, and significant operational or financial relationships with the District. Related municipal entities are not required to be included in the District's audit by the Kansas Municipal Audit and Accounting Guide (KMAAG).

The District has determined that no outside agency meets the above criteria and, therefore, no outside agency has been included as a related municipal entity in the financial statement.

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 types of funds comprise the financial activities of the Rural Water District No. 5, Anderson County, Kansas for the year of 2023:

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.)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Rural Water District No. 5, Anderson County, Kansas, is recognized by the Internal Revenue Service as a quasi-municipal corporation, under K.S.A. 88a-616, and is exempt from Federal and state income taxes. Accordingly, this financial statement does not include a provision for income taxes.

Reimbursed Expenses

K.S.A. 79-2934 provides that reimbursed expenditures should be recorded as reductions in expenditures rather than as receipts. In the financial statement presented in this report, reimbursements and refunds are recorded as cash receipts. The reimbursements are recorded as cash receipts when received by the District as they are often difficult to identify the exact expenditure for which they are reimbursing.

Pension Plan

Substantially all full-time District employees are members of the State of Kansas Public Employees Retirement System, of which is a multi-employer, state-wide pension plan. The District's policy is to fund all pension costs accrued; such costs to be funded are actuarially determined annually by the State of Kansas.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Kansas Statutes

Statement 1 is designed to show compliance with the cash basis laws of Kansas. As shown in Statement 1, the District was in apparent compliance with the cash basis laws of Kansas.

3. DEPOSITS AND INVESTMENTS

K.S.A 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main branch 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.

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 District, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2023.

3. DEPOSITS AND INVESTMENTS (Continued)

At December 31, 2023, the District's carrying amount of deposits was $437,080.73 and the bank balance was $439,719.87 The bank balance was held at one bank resulting in a concentration of credit risk. Of the bank balance, $250,142.51 was covered by federal depository insurance (FDIC), and $189,577.36 was collateralized with pledged securities held by the pledging financial institutions' agents in the District's name.

4. DEFINED BENEFIT PENSION PLAN

Plan description. The Anderson County RWD #5 participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual 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, KS 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 employee 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.

State law provides that the employer contribution rates for KPERS 1 and KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1.00% contribution rate for Death and Disability Program) and the statutory contribution rate was 8.43% for the fiscal year ended December 31, 2023. Contributions to the pension plan from the District were $9,573.52 for the year ended December 31, 2023.

Net Pension Liability

At December 31, 2023, the Rural Water District No. 5, Anderson County, Kansas's proportionate share of the collective net pension liability reported by KPERS was $98,392.00. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022, which was rolled forward to June 30, 2023. The Rural Water District No. 5, Anderson County, Kansas's proportion of the net pension liability was based on the ratio of the Rural Water District No. 5, Anderson County, Kansas'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 these financial statements.

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.

5. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Death and Disability Other Post-Employment Benefits
As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended December 31, 2023.

Compensated Absences:
All full-time employees of the District contract for vacation benefits in varying annual amounts. Vacation must be used by each anniversary date. In the event of termination, unused accrued vacation time is paid.

The District accrues a liability for compensated absences which meet the following criteria:

1) The District's obligation relating to employees' rights to receive compensation for future absences is attributed to employee's services already rendered.
2) The obligation relates to rights that vest or accumulate.
3) Payment of the compensation is probable.
4) The amount can be reasonably estimated.

In accordance with the above criteria, the District has estimated a liability for vacation pay on the amount of $11,012.00.

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the District is subsidizing the retirees because each participant is charged the level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the Federal government for this coverage. The Premium is paid in full by the insured. There is no cost the District under this program.

6. 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 the purchase of various insurance policies.

7. CONCENTRATION OF RISK

The District's customers are located in eastern Kansas counties. Risk of accounting loss exists from the possibility that numerous customers would no longer purchase water from the District. Impact of potential risk cannot be determined. Accounts receivable consist of unsecured receivables from the sales of water to customers of the District. The District is subject to the credit risk inherent in the rural water district business.

8. SUBSEQUENT EVENTS

The District evaluated events and transactions occurring subsequent to December 31, 2023. During this period, there were no subsequent events requiring recognition in the financial statement. Additionally, there were no nonrecognized subsequent events requiring disclosure.

SUPPLEMENTARY INFORMATION

RURAL WATER DISTRICT NO. 5
Anderson County, Kansas
Water Utility Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2023
(With Comparative Actual Amounts For the Prior Year Ended December 31, 2022)

	Prior Year Actual	Current Year Actual	Budget	Variance - Over (Under)
Receipts				
Charges for Service				
Water Sales	$ 333,235.63	$ 428,293.48	$ 380,000.00	$ 48,293.48
Access Charges	192,775.17	210,106.57	202,000.00	8,106.57
Penalties	9,008.80	7,975.10	8,000.00	(24.90)
Intergovernmental				
State Grant - KDOT	6,786.25	-	-	-
Use of Money and Property				
Interest Income	330.39	1,620.36	1,400.00	220.36
Rental Income	4,800.00	4,400.00	4,800.00	(400.00)
Sale of Assets	6,895.82	177.00	7,000.00	(6,823.00)
Sale of Water Rights	-	10,000.00	-	10,000.00
Other Receipts				
Service Collections	8,640.09	7,311.01	7,300.00	11.01
Benefit Units Collected	23,132.70	67,050.00	57,350.00	9,700.00
Reimbursed Expense	5,738.06	5,079.23	2,000.00	3,079.23
Miscellaneous Income	5,102.50	1,856.57	21,000.00	(19,143.43)
Total Receipts	596,445.41	743,869.32	$ 690,850.00	$ 53,019.32
Expenditures				
Personal Services				
Salaries and Wages	104,080.38	111,544.56	$ 125,000.00	$ (13,455.44)
Fringe Benefits	26,380.37	27,316.30	28,000.00	(683.70)
Contractual Services				
Contract Labor	23,515.98	27,968.18	18,000.00	9,968.18
Convention Expense	2,042.87	2,904.11	2,500.00	404.11
Directors Fees	2,525.00	4,850.00	6,600.00	(1,750.00)
Fees and Taxes	4,708.69	3,697.40	5,000.00	(1,302.60)
Insurance and Bonds	23,978.00	26,155.00	26,155.00	-
Legal, Accounting, and Engineering	10,231.11	12,170.38	11,500.00	670.38
Repairs and Maintenance	12,397.00	4,404.93	1,500.00	2,904.93
Telephone	4,492.71	3,537.45	4,400.00	(862.55)
Commodities				
Fuel	8,200.80	6,232.48	7,000.00	(767.52)
Miscellaneous	2,117.54	1,250.58	2,300.00	(1,049.42)
Office Supplies	3,801.99	3,022.76	5,000.00	(1,977.24)
Utilities	2,275.45	2,360.42	2,300.00	60.42

RURAL WATER DISTRICT NO. 5
Anderson County, Kansas
Water Utility Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2023
(With Comparative Actual Amounts For the Prior Year Ended December 31, 2022)

	Prior Year Actual	Current Year Actual	Budget	Variance - Over (Under)
Expenditures (Continued)				
Operating Supplies	$ 48,293.72	$ 65,442.89	$ 60,000.00	$ 5,442.89
Postage	5,161.82	6,087.95	6,000.00	87.95
Power Purchased	13,375.56	12,739.23	14,000.00	(1,260.77)
Water Purchased	203,131.70	241,638.53	260,000.00	(18,361.47)
Capital Outlay	12,654.50	42,915.97	-	42,915.97
Total Expenditures	513,365.19	606,239.12	$ 585,255.00	$ 20,984.12
Receipts Over (Under) Expenditures	83,080.22	137,630.20		
Unencumbered Cash, Beginning	162,739.48	245,819.70		
Unencumbered Cash, Ending	$ 245,819.70	$ 383,449.90		

Schedule 2

RURAL WATER DISTRICT NO. 5
Anderson County, Kansas
Schedule of Costs of Operations
For the Year Ended December 31, 2023

	Operations	Administration	Current Year Actual
Expenditures			
Salaries and Wages	$ 69,569.61	$ 41,974.95	$ 111,544.56
Fringe Benefits	23,642.70	3,673.60	27,316.30
Contract Labor	27,968.18	-	27,968.18
Convention Expense	2,904.11	-	2,904.11
Directors Fees	-	4,850.00	4,850.00
Fees and Taxes	3,697.40	-	3,697.40
Insurance and Bonds	17,436.67	8,718.33	26,155.00
Legal, Accounting, and Engineering	-	12,170.38	12,170.38
Telephone	-	3,537.45	3,537.45
Fuel	6,232.48	-	6,232.48
Miscellaneous	1,250.58	-	1,250.58
Office Supplies	-	3,022.76	3,022.76
Utilities	-	2,360.42	2,360.42
Operating Supplies	65,442.89	-	65,442.89
Postage	-	6,087.95	6,087.95
Power Purchased	12,739.23	-	12,739.23
Repairs	4,404.93	-	4,404.93
Water Purchased	241,638.53	-	241,638.53
Capital Outlay	42,915.97	-	42,915.97
Total Expenditures per Schedule 1	519,843.28	$ 86,395.84	$ 606,239.12
Less:			
Capital Outlay	(42,915.97)		
Reimbursed Expense	(5,079.23)		
Add:			
Depreciation Expense	38,099.52		
Total Cost of Operations	509,947.60		
Gallons of Water Sold	55,125,000		
Cost/1000 gallons	$ 9.25		

Jarred Gilmore Phillips

Board of Directors
Rural Water District No. 5
Anderson County, Kansas

In planning and performing our audit of the financial statement of Rural Water District No. 5, Anderson County, Kansas as of and for the year ended December 31, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered Rural Water District No. 5, Anderson County, Kansas' system of internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Rural Water District No. 5, Anderson County, Kansas' internal control. Accordingly, we do not express an opinion on the effectiveness of Rural Water District No. 5, Anderson County, Kansas' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in internal control to be material weaknesses:

Preparation of Financial Statement

Accounting standards states the client must be able to accept responsibility and be able to identify a material misstatement when reviewing the financial statement, including footnotes and supplemental information. This would also include knowing if a required footnote disclosure was missing or not correctly stated. Presently, the District staff does not have the ability to process and prepare the required financial statement, including footnotes. The potential effects of this material weakness could be unrecognized errors on the financial statement. While we recognize that this condition is not unusual for a District your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the District and changes in reporting requirements.

Segregation of Duties

An internal control structure is, quite simply, the procedures and policies in effect which ensure that the District's financial activity is properly recorded, processed, summarized, and reported in the financial statement. A weakness in the control structure occurs when one person is responsible for all of the accounting activities such as performing billings, receipting cash, making deposits, reconciling the bank accounts, and having access to all books and records of the District. Due to small staff size, it is not possible for reviews of daily work to take place, potentially resulting in errors in financial records and reports.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

Jarred, Gilmore & Phillips, PA

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

Chanute, Kansas
July 10, 2024