RUSSELL RURAL WATER DISTRICT NO. 3

Financial Statements With Independent Auditors' Report

For the Years Ended December 31, 2025 and 2024

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Russell Rural Water District No. 3
Susank, Kansas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of **Russell Rural Water District No. 3**, as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of **Russell Rural Water District No. 3** as of December 31, 2025 and 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 **Russell Rural Water District No. 3**, 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 audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 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 and *Government 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 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 GAAS and *Government 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.

Required Supplementary Information

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.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise **Russell Rural Water District No. 3's** basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit*

Requirements for Federal Awards, and is not a required part of the basic financial statements. 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 statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinions, based on our audit and the procedures performed as described above, the information as noted above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



ADAMSBROWN, LLC
Certified Public Accountants
Manhattan, Kansas

June 9, 2026

The discussion and analysis of **Russell Rural Water District No. 3's** financial performance provides an overview of the District's financial activities for the years ended December 31, 2025 and 2024. Please read in conjunction with the District's financial statements which begin after this section.

Reporting of the District

Our analysis of the District begins on page 7. One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of the year's activities?" The statements of net position, statements of revenues, expenses and change in net position and statements of cash flows report information about the District's activities that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These statements report the District's net position and changes in it. The District's net position, the difference between assets and liabilities, is a way to measure the District's financial health and financial position. Increases and decreases in the District's net position are one indicator of whether financial health is improving or deteriorating.

FINANCIAL STATUS AND HIGHLIGHTS

Current Year Results

Operating revenues decreased in 2025 as compared to 2024, which is attributed to a decrease in the number of gallons sold and a decrease in addition of new service connections between the two years. Operating expenses increased over the prior year, which is attributed to an increase in water purchases and administration expenses over the prior year.

Discussion of Basic Financial Statements

The District's only business-type fund is the proprietary fund, which is shown in this report. The financial statements provide detailed information which shows how money flows in and out of this fund and the balance left available for spending. This information helps to determine whether or not more or fewer financial resources can be spent in the near future to finance the District's activities.

The statements of net position reflect assets owned and liabilities owed at December 31, 2025 and 2024. The difference between total assets and total liabilities is referred to as net position.

The statements of revenues, expenses and change in net position reflect operating revenues, operating and maintenance expenses, interest income, interest expense and all other changes to net position for the years ended December 31, 2025 and 2024.

The statements of cash flows reflect cash provided by or used in operating activities, capital and related financing activities, and investing activities for the years ended December 31, 2025 and 2024. The statements also disclose cash paid for interest at December 31, 2025 and 2024.

Other Financial Matters

The District's purpose is to provide water to the users in the water district. Expenses include debt service and operating expenses. The financial position at the end of the year, based upon the District's established purpose, was primarily as planned.

Debt Administration

At December 31, 2024, the USDA project line of credit had an outstanding balance of $5,013,975. During 2025, the line of credit was paid off with two USDA project loans. The outstanding balance at December 31, 2025, was $6,843,275. The debt is more fully described in Note 4 of the audited financial statements.

Capital Assets

At the end of 2025 and 2024, the District had $11,194,153 and $9,241,160, respectively, invested in capital assets net of depreciation.

Figure 1 – Capital Assets

		2025	2024
Water System	$	**1,573,117**	1,573,117
Building		**57,497**	57,497
Office Equipment		**733**	15,731
Vehicle		**74,801**	74,801
Land		**13,361**	13,361
Construction in Progress		**10,955,321**	8,980,406
Accumulated Depreciation		**(1,480,677)**	(1,473,753)
Net Capital Assets	$	**11,194,153**	9,241,160

Comparative Financial Reports

The following figures present abbreviated comparative information in the District's statements of net position at December 31, 2025 and 2024 and summaries of activities for the years then ended.

Figure 2 – Net Position

		2025	2024
Cash	$	**1,339,429**	288,165
Accounts and Grant Receivable		**13,575**	181,164
Certificates of Deposit		**64,674**	562,346
Prepaid Expenses		**2,237**	22,039
Capital Assets, Net		**11,194,153**	9,241,160
Total Assets	$	**12,614,068**	10,294,874
Accounts Payable	$	**98,455**	191,304
Accrued Expenses		**7,788**	7,955
Prepaid Customer Accounts		**2,665**	5,283
Current Portion of Liabilities		**117,955**	5,013,975
Noncurrent Portion of Liabilities		**6,725,320**	-
Total Liabilities		**6,952,183**	5,218,517
Net Position		**5,661,885**	5,076,357
Total Liabilities and Net Position	$	**12,614,068**	10,294,874

Figure 3 – Revenues, Expenses and Change in Net Position

		2025	2024
Operating Revenues	$	**578,277**	1,302,434
Operating Expenses		**(699,227)**	(673,740)
Net Operating Gain (Loss)		**(120,950)**	628,694
Nonoperating Revenues (Expense)			
Interest Income		**34,145**	2,139
USDA Federal Grant Proceeds		**1,149,123**	4,202,877
Interest Expense		**(476,790)**	(47,580)
Net Nonoperating Revenues (Expense)		**706,478**	4,157,436
Change in Net Position		**585,528**	4,786,130
Net Position – Beginning of Year		**5,076,357**	290,227
Net Position – End of Year	$	**5,661,885**	5,076,357

Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances. The report is also designed to show the District's accountability for the money it receives.

Further questions concerning this report or the financial status of **Russell Rural Water District No. 3** should be directed to the District's chairman at 121 Main Street, Susank, Kansas 67544.

Jamie Tomlinson

Russell Rural Water District No. 3

RUSSELL RURAL WATER DISTRICT NO. 3
Statements of Net Position
December 31, 2025 and 2024

ASSETS

	2025	2024
Current Assets		
Cash	$ **1,339,429**	288,165
Accounts Receivable	**13,575**	5,596
Grant Receivable	**-**	175,568
Certificates of Deposit	**64,674**	562,346
Prepaid Expenses	**2,237**	22,039
Total Current Assets	**1,419,915**	1,053,714
Noncurrent Assets		
Capital Assets		
Water System	**1,573,117**	1,573,117
Building	**57,497**	57,497
Office Equipment	**733**	15,731
Vehicle	**74,801**	74,801
Land	**13,361**	13,361
Construction in Progress	**10,955,321**	8,980,406
Accumulated Depreciation	**(1,480,677)**	(1,473,753)
Total Noncurrent Assets	**11,194,153**	9,241,160
Total Assets	$ **12,614,068**	10,294,874

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

RUSSELL RURAL WATER DISTRICT NO. 3
Statements of Net Position
December 31, 2025 and 2024

LIABILITIES AND NET POSITION

		2025	2024
Current Liabilities Payable From Current Assets			
Current Portion of Line of Credit	$	**-**	5,013,975
Current Portion of USDA Project Loans		**117,955**	-
Prepaid Customer Accounts		**2,665**	5,283
Accounts Payable		**98,455**	191,304
Payroll Taxes Payable		**2,587**	2,392
Sales Tax Payable		**67**	67
Accrued Salaries Payable		**5,134**	5,496
Total Current Liabilities Payable From Current Assets		**226,863**	5,218,517
Noncurrent Liabilities			
USDA Project Loans, Net of Current Portion		**6,725,320**	-
Total Liabilities		**6,952,183**	5,218,517
Net Position			
Invested in Capital Assets, Net of Related Debt		**4,350,878**	9,241,160
Restricted		**1,000**	1,000
Unrestricted		**1,310,007**	(4,165,803)
Total Net Position		**5,661,885**	5,076,357
Total Liabilities and Net Position	$	**12,614,068**	10,294,874

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

RUSSELL RURAL WATER DISTRICT NO. 3
Statements of Revenues, Expenses and Change in Net Position
For the Years Ended December 31, 2025 and 2024

		2025	2024
Operating Revenues			
Water Sales	$	**545,802**	568,006
Sale of Units		**26,000**	74,000
Miscellaneous Income		**1,010**	2,405
Barton 1/Bunker Hill Connection Fees		**-**	630,000
Refunds and Insurance Proceeds		**5,465**	28,023
Total Operating Revenues		**578,277**	1,302,434
Operating Expenses			
Water and Electricity		**273,910**	247,254
General and Administrative		**260,125**	246,151
Personnel		**129,440**	137,799
Depreciation		**21,922**	35,699
Other Operating Expenses		**13,830**	6,837
Total Operating Expenses		**699,227**	673,740
Net Operating Gain (Loss)		**(120,950)**	628,694
Nonoperating Revenues (Expense)			
USDA Federal Grant Proceeds		**1,149,123**	4,202,877
Interest Income		**34,145**	2,139
Interest Expense		**(476,790)**	(47,580)
Net Nonoperating Revenues (Expense)		**706,478**	4,157,436
Change in Net Position		**585,528**	4,786,130
Net Position - Beginning of Year		**5,076,357**	290,227
Net Position - End of Year	$	**5,661,885**	5,076,357

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

RUSSELL RURAL WATER DISTRICT NO. 3
Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024

		2025	2024
Cash Flows From Operating Activities			
Cash Received From Customers	$	**743,248**	1,128,867
Cash Paid to Suppliers		**(525,425)**	(504,109)
Cash Paid to Employees		**(129,607)**	(137,397)
Net Cash Provided by Operating Activities		**88,216**	487,361
Cash Flows From Capital and Related Financing Activities			
Purchase and Construction of Capital Assets		**(2,070,402)**	(4,058,751)
Interest Paid		**(476,790)**	(47,580)
Principal Paid on Lease-purchase Agreement		**-**	(6,241)
USDA Federal Grant Proceeds		**1,149,123**	4,202,877
Loan Proceeds Received on USDA Project Loans		**6,882,000**	-
Principal Paid on USDA Project Loans		**(38,725)**	-
Loan Proceeds Received on Line of Credit		**-**	12,363
Principal Paid on Line of Credit		**(5,013,975)**	-
Net Cash Provided by Capital and Related Financing Activities		**431,231**	102,668
Cash Flows From Investing Activities			
Interest Received		**34,145**	2,139
Net Increase in Cash		**553,592**	592,168
Cash - Beginning of Year		**850,511**	258,343
Cash - End of Year	$	**1,404,103**	850,511
Composition of Cash			
Cash	$	**1,339,429**	288,165
Certificates of Deposit		**64,674**	562,346
Cash - End of Year	$	**1,404,103**	850,511
Reconciliation of Net Operating Gain (Loss) to Net Cash Provided by Operating Activities			
Net Operating Gain (Loss)	$	**(120,950)**	628,694
Adjustments to Reconcile Net Operating Gain (Loss) to Net Cash Provided by Operating Activities			
Depreciation		**21,922**	35,699
(Increase) Decrease in			
Accounts Receivable		**(7,979)**	2,658
Grant Receivable		**175,568**	(175,568)
Prepaid Expenses		**19,802**	(2,231)
Increase (Decrease) in			
Prepaid Customer Accounts		**(2,618)**	(657)
Accounts Payable		**2,638**	(1,636)
Payroll Taxes Payable		**195**	8
Accrued Salaries		**(362)**	394
Net Cash Provided by Operating Activities	$	**88,216**	487,361

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of **Russell Rural Water District No. 3** is presented to assist in understanding the District's financial statements. The financial statements and notes to the financial statements are representations of the District's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles applicable to state and local governments.

Financial Reporting Entity

Russell Rural Water District No. 3 (District), located in Susank, Kansas, is organized as a quasi-municipal corporation under Kansas statutes K.S.A. 82a-612, for the purpose of constructing and operating a water supply distribution system serving owners and occupants of land located within the District, and is not subject to federal or Kansas income tax. There are no component units or oversight units.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Basis of Accounting, Financial Statement Presentation, and Measurement Focus

For financial reporting purposes, the District is engaged only in business-type activities. Accordingly, the District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of the District are included in the statement of net position. The statement of revenues, expenses and change in net position presents increases and decreases in total net position. Under the accrual basis of accounting revenues are recorded when earned, and expenses are recorded when a liability is incurred. Revenues are recognized as soon as they are both measurable and available.

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected by the end of the year. Expenditures are recorded when the related liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The accounting records of the District are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The District applies all statements issued by the Government Accounting Standards Board (GASB). The District uses a single proprietary fund to account for and report its financial activities, which is limited to *business-type* activities – i.e., activities that are financed in whole or in part by fees charged to external parties and are operated in a manner similar to private business where the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations, which for the District is water distribution. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The District had only one proprietary fund through December 31, 2025 and 2024.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as needed.

Budget
The District is not subject to the legal annual operating budget requirements, but is controlled by the use of an internal budget established by the governing body. As the District is not subject to these requirements, comparison to budget has not been included in the financial statements.

Cash and Certificates of Deposit
The District considers cash equivalents to include cash and all highly liquid debt instruments having original maturities of twelve months or less from the date of acquisition.

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 bank or branch 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 investments 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 K.S.A. 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 use "peak periods". All deposits were legally secured at December 31, 2025 and 2024.

At December 31, 2025 and 2024, the District's carrying amounts of deposits were $1,339,429 and $288,165, respectively, and the bank balances were $1,336,667 and $289,712, respectively, the difference being outstanding checks and deposits. Of the bank balances at December 31, 2025, $250,000 was covered with federal depository insurance and $1,086,667 was collateralized with securities. The entire 2024 balances was covered by federal depository insurance.

Custodial Credit Risk - Investments
For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. At December 31, 2025 and 2024, the District held certificates of deposit totaling $64,674 and $562,346, respectively, bear interest at rates ranging from 1.25% to 3.79% and have remaining maturities ranging from one to twelve months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements. The certificate of deposit balances at December 31, 2025 and 2024 were held by two and three banks, respectively. Of the December 31, 2025 balance, the entire $64,674 was covered with federal depository insurance. Of the December 31, 2024 balance, $500,000 was covered by federal depository insurance and $62,346 was collateralized with securities.

Accounts Receivable
Accounts receivable represents deposits made by customers during the following January plus estimated amounts due on delinquent accounts. Customers read their own water meters on the first day of each month, compute the amount due, and remit payment for the prior month's water usage to the District no later than the fifth day of the month except for customers that have the new cellular meters. The District reads these new meters monthly using the cellular technology and bills the customers based on the meter reading. Late charges, debt service fees and other fees are included in the sale of water. Meter amounts are verified by the District staff annually. If customer accounts become 60 days or more overdue, customer water supply is shut off. There is no allowance for doubtful accounts used because the District deems all accounts receivable collectible.

Grant Receivable
Grant receivable includes amounts due from the federal government, state and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts.

Prepaid Expenses
Payments made to vendors for goods or services that will benefit periods beyond the date of this report are recorded as prepaid expenses.

Net Position
Net position is the difference between assets and liabilities. The District's net position is classified as follows:

a. *Invested in capital assets, net of related debt:* This represents the District's total investment in capital assets, net of related debt obligations related to those capital assets.

b. *Restricted net position – expendable:* Restricted expendable net position includes resources that have legal limitations that are imposed on their use by legislation or external restrictions by creditors or grantors to indicate that their use is limited as stipulated by contract. The District has a bond reserve of $1,000 with the Kansas Department of Human Resources to be used against future liabilities.

c. *Unrestricted net position:* Unrestricted net position represents resources that does not meet the definition of "restricted" or "invested in capital assets, net of related debt". These resources are used for transactions relating to the operations of the District and may be used at the discretion of the governing body to meet current expenses for any lawful purpose.

Operating Revenues
The District's rates are established by the Board of Directors. The District sells water to members at established rates. Revenue is measured based on the sale of water, which establishes a contract with District customers. All customers reside in the District. The District recognizes revenue when it satisfies its performance obligation, i.e. when water is available and use of water occurs. A transaction price of $9 per 1,000 gallons of water used is charged upon water usage as well as a debt fee of $40 per customer per month. Sale of water occurs at the point of time when water is used and totaled $545,802 and $568,006 as of December 31, 2025 and 2024, respectively.

Prepaid Customer Accounts
Prepaid customer accounts are comprised of overpayments by water customers as of December 31, 2025 and 2024. Such overpayments represent unearned revenue and are classified as a current liability. Prepaid customer accounts at December 31, 2025 and 2024 totaled $2,665 and $5,283, respectively.

Compensated Absences
Employees of the District are entitled to paid time off (PTO) depending on length of service and other factors. No PTO can be carried over to the subsequent year and employees will not be reimbursed for any unused PTO upon termination of employment. As a result, no accrued compensated absences existed at December 31, 2025 and 2024.

Adopted Governmental Accounting Standards Board Statements
GASB Statement No. 102, *Certain Risk Disclosures,* aims to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements for this statement are effective for periods beginning after June 15, 2024. No material changes in disclosures were required.

Pending Governmental Accounting Standards Board Statements
GASB Statement No. 103, *Financial Reporting Model Improvements,* aims to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement also addresses certain application issues. The requirements for this statement are effective for periods beginning after June 15, 2025.

GASB Statement No. 104, *Disclosure of Certain Capital Assets,* aims to provide users with essential information about capital assets and requires certain types of capital assets to be disclosed separately in the note disclosures required by Statement 34. The requirements for this statement are effective for periods beginning after June 15, 2025.

GASB Statement No. 105, *Subsequent Events,* aims to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. The requirements for this statement are effective for periods beginning after June 15, 2026.

NOTE 2 - CAPITAL ASSETS

The cost of additions to the water system, building, and equipment is capitalized. Capital assets are recorded at cost.

Capital assets are defined by the District as assets or group of assets that have an estimated useful life in excess of three years and cost $5,000 or more. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset lives is not capitalized. The sale or disposal of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation expense is computed using the straight-line method based on estimated service lives. Depreciation expense for the years ended December 31, 2025 and 2024 was $21,922 and $35,699, respectively. Estimated useful lives for related assets are 5 to 50 years.

A summary of changes in fixed assets is a follows:

		Balance 12/31/2024	Increases	Decreases	**Balance 12/31/2025**
Water System	$	1,573,117	-	-	**1,573,117**
Building		57,497	-	-	**57,497**
Office Equipment		15,731	-	(14,998)	**733**
Vehicle		74,801	-	-	**74,801**
Land		13,361	-	-	**13,361**
Construction in Progress		8,980,406	1,974,915	-	**10,955,321**
Total Capital Assets		10,714,913	1,974,915	(14,998)	**12,674,830**
Accumulated Depreciation		(1,473,753)	(21,922)	14,998	**(1,480,677)**
Capital Assets, Net of Accumulated Depreciation	**$**	**9,241,160**	**1,952,993**	**-**	**11,194,153**

		Balance 12/31/2023	Increases	Decreases	Balance 12/31/2024
Water System	$	1,509,788	63,329	-	1,573,117
Building		47,870	9,627	-	57,497
Office Equipment		15,731	-	-	15,731
Vehicle		74,801	-	-	74,801
Land		12,061	1,300	-	13,361
Construction in Progress		5,515,190	3,528,545	(63,329)	8,980,406
Total Capital Assets		7,175,441	3,602,801	(63,329)	10,714,913
Accumulated Depreciation		(1,438,054)	(35,699)	-	(1,473,753)
Capital Assets, Net of Accumulated Depreciation	$	5,737,387	3,567,102	(63,329)	9,241,160

NOTE 3 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; damage to and destruction of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than related to employee health benefits. Settled claims have not exceeded this commercial coverage in any of the three preceding years. There have not been significant reductions in coverage from prior years.

NOTE 4 – LONG-TERM LIABILITIES

Line of Credit – Direct Borrowing

The District had one construction line of credit loan for $5,014,000 with a bank, dated February 11, 2025 at 6.5%. The line of credit is to fund the construction of water system improvements. As stated in a letter from the United States Department of Agriculture on March 19, 2021, funds will be created from a Rural Utilities Service Loan to pay off the line of credit and convert it to long-term financing at the end of the project. The line of credit is secured by the water system assets. The line of credit matured in August 2025.

KDHE Water Supply Loan – Direct Borrowing
The District entered into a $900,000 loan agreement on May 16, 2024 at 2.13% interest with the Kansas Department of Health and Environment acting on behalf of the State of Kansas to finance the construction of a new water system. The District has not yet drawn down funds on this loan as of December 31, 2025.

USDA Rural Utilities Service Loans – Direct Borrowing
The District entered into a $5,014,000 loan agreement on August 1, 2025 at 1.50% interest with the United States Department of Agriculture to finance the construction of a new water system.

The District entered into a $1,868,000 loan agreement on August 1, 2025 at 3.00% interest with the United States Department of Agriculture to finance the construction of a new water system.

Long-term liability activity for the year ended December 31, 2025 was as follows:

		Beginning	Additions	Reductions	Ending	Current Portion	Interest Paid
Line of Credit	$	5,013,975	-	5,013,975	-	-	432,995
USDA Project Loans		-	6,882,000	38,725	6,843,275	117,955	43,779
Total Long-Term Debt	**$**	**5,013,975**	**6,882,000**	**5,052,700**	**6,843,275**	**117,955**	**476,774**

Long-term liability activity for the year ended December 31, 2024 was as follows:

		Beginning	Additions	Reductions	Ending	Current Portion	Interest Paid
Purchase Agreement	$	6,241	-	6,241	-	-	60
Line of Credit		5,001,612	12,363	-	5,013,975	5,013,975	47,521
Total Long-Term Debt	$	5,007,853	12,363	6,241	5,013,975	5,013,975	47,581

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

Year Ended December 31		Principal	Interest	Total
2026	$	117,955	129,557	247,512
2027		120,116	127,396	247,512
2028		122,323	125,189	247,512
2029		124,571	122,941	247,512
2030		126,869	120,643	247,512
2031-2035		670,499	567,061	1,237,560
2036-2040		735,501	502,059	1,237,560
2041-2045		807,645	429,915	1,237,560
2046-2050		887,806	349,754	1,237,560
2051-2055		977,003	260,557	1,237,560
2056-2060		1,076,390	161,170	1,237,560
2061-2065		1,076,597	50,521	1,127,118
Total	**$**	**6,843,275**	**2,946,763**	**9,790,038**

NOTE 5 – CONCENTRATIONS - MAJOR SUPPLIER

All of the District's water is purchased from the City of Otis, Kansas. The contract expires on November 13, 2060, and is renewable at that time.

NOTE 6 - LITIGATION

The District is party to various legal proceedings which normally occur in governmental operations. These proceedings are not likely to have a material financial impact on the affected fund of the District.

NOTE 7 - ENVIRONMENTAL ISSUES

The District's operation of the water distribution services poses a potential risk for environmental remediation liabilities. The operator of the facility has indicated that the District has not violated environmental laws.

NOTE 8 – MEMBERSHIP SETUP FEES

The District receives applications for new service from individuals and businesses within the District boundaries. During the monthly board meetings, these applications are reviewed and voted on. If an application is approved, the individual or business pays a $2,000 membership fee and pays for construction costs related to the installation of the new service. These fees are non-reimbursable. Total customer water line setup fees were $26,000 and $74,000 at December 31, 2025 and 2024, respectively.

The District also approved allowing the City of Bunker Hill and Barton County to join the District in 2024. The total connection fees received in 2024 from the City of Bunker Hill and Barton County were $565,000 and $65,000, respectively.

NOTE 9 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 9, 2026, which is the date the financial statements were available to be issued on **Russell Rural Water District No. 3**.

RUSSELL RURAL WATER DISTRICT NO. 3

Single Audit Information

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Russell Rural Water District No. 3
Susank, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business–type activities of **Russell Rural Water District No. 3**, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise **Russell Rural Water District No. 3's** basic financial statements, and have issued our report thereon dated June 9, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Russell Rural Water District No. 3's** 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 statements, but not for the purpose of expressing an opinion on the effectiveness of **Russell Rural Water District No. 3's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Russell Rural Water District No. 3's** 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 described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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 statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2025-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2025-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Russell Rural Water District No. 3's** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Russell Rural Water District No. 3's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on **Russell Rural Water District No. 3's** response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. **Russell Rural Water District No. 3's** response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Adams Brown, LLC

ADAMSBROWN, LLC
Certified Public Accountants
Larned, Kansas

June 9, 2026

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Russell Rural Water District No. 3
Susank, Kansas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited **Russell Rural Water District No. 3's** compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of **Russell Rural Water District No. 3's** major federal programs for the year ended December 31, 2025. **Russell Rural Water District No. 3's** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, **Russell Rural Water District No. 3** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2025.

Basis for Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, *Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of **Russell Rural Water District No. 3** and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of **Russell Rural Water District No. 3's** compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to **Russell Rural Water District No. 3's** federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on **Russell Rural Water District No. 3's** compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance and will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about **Russell Rural Water District No. 3's** compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 **Russell Rural Water District No. 3's** compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of **Russell Rural Water District No. 3's** internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of **Russell Rural Water District No. 3's** internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal

program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-003 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on **Russell Rural Water District No. 3's** response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. **Russell Rural Water District No. 3's** response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



ADAMSBROWN, LLC
Certified Public Accountants
Larned, Kansas

June 9, 2026

RUSSELL RURAL WATER DISTRICT NO. 3
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025

Federal Grantor/ Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Agriculture			
Direct Award			
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	$ 2,390,282

Note: There were no awards to sub-recipients during the year.

See accompanying notes to schedule of expenditures of federal awards.

RUSSELL RURAL WATER DISTRICT NO. 3
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **Russell Rural Water District No. 3** under programs of the federal government for the year ended December 31, 2025.The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the net position, changes in net position, or cash flows of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are presented in accordance with generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in the Uniform Guidance cost principles, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3 – INDIRECT COST RATE

The District has elected not to use the de minimis cost rate allowed under Section 200.414(f) of the Uniform Guidance.

NOTE 4 – FEDERAL LOAN PROGRAMS

Russell Rural Water District No. 3's was awarded a direct loan from the U.S. Department of Agriculture. Interim financing has been obtained to fund project costs until such time as the U.S. Department of Agriculture loan proceeds are disbursed to refund the interim financing. The balance of the interim financing outstanding at December 31, 2025 consists of:

Federal Assistance Listing Number	Program Name	Beginning	Additions	Principal Retired	Outstanding Balance at December 31, 2025
10.760	Water and Waste Disposal Systems for Rural Communities	$ 5,013,975	-	5,013,975	-

The balance of the U.S. Department of Agriculture loan outstanding at December 31, 2025 consists of:

Federal Assistance Listing Number	Program Name	Beginning	Additions	Principal Retired	Outstanding Balance at December 31, 2025
10.760	Water and Waste Disposal Systems for Rural Communities	$ -	6,882,000	38,725	6,843,275

RUSSELL RURAL WATER DISTRICT NO. 3
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2025

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:
Business-Type Activities: Unmodified

Internal control over financial reporting:

● Material weakness identified?	X	Yes		No
● Significant deficiency identified?	X	Yes		None Reported
● Noncompliance material to financial statements noted?		Yes	X	No

FEDERAL AWARDS

Internal control over major programs:

● Material weakness identified?		Yes	X	No
● Significant deficiency identified?	X	Yes		None Reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) of the Uniform Guidance? X Yes ____ No

Identification of major programs:

Federal Assistance Listing Numbers	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and Type B programs: $ 1,000,000

Auditee qualified as low-risk auditee? ____ Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

2025-001

Criteria or specific requirement
During the course of the audit, we identified material adjustments to the trial balance that were not initially identified by the District's internal control structure.

Condition
Material adjustments were not recorded on the books at year-end for accounts payable and accounts receivable.

Context
We determined, through testing, that there was a failure to adjust from cash basis to accrual basis financial statements.

Cause
Inappropriate application of generally accepted accounting principles.

Effect
There is the potential that the financial statements may be materially misstated.

Recommendation
Procedures should be established and implemented to utilize the full features of invoicing and bill pay within QuickBooks Online so accounts receivable and accounts payable are always accurately recorded in a timely manner.

Views of responsible officials
See Corrective Action Plan.

SIGNIFICANT DEFICIENCY

2025-002

Criteria or specific requirement
Internal controls should be in place to ensure that employees do not have incompatible duties.

Condition
Proper segregation of duties does not exist in the accounting system.

Context
We determined, through inquiry and documentation of the District's internal controls, that there is a failure to properly segregate duties for the financial reporting process.

Cause
The District is unable to hire additional personnel due to its size.

Effect
Management may not become aware of problems or irregularities in a timely manner.

Recommendation
Procedures should be established and implemented to segregate duties in the receipts and expenditures cycles and strengthen internal controls. Also, involvement by the Board can mitigate the risk of errors or fraud. The Board should remain involved in the financial affairs of the District to provide oversight and independent review functions.

Views of responsible officials
See Corrective Action Plan.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

SIGNIFICANT DEFICIENCY

2025-003 – Water and Waste Disposal Systems for Rural Communities – Procurement, Suspension, and Debarment

Criteria or specific requirement
Entities are required to have written policies, procedures, and standards of conduct per 2 CFR 200, Subparts D and E.

Condition
During inquiry of District management, it was determined that the District did not have the required written policies in place to be followed.

Context
Informal policies and procedures are utilized for applicable procurements, but they have not implemented written policies.

Cause
The District has not received large amounts of federal funding in the past, and, as a result, it was not aware of the requirement.

Effect
The District may not effectively follow procurement standards.

Recommendation
We recommend that the District's written policies be updated to properly reflect all requirements.

Views of responsible officials
See Corrective Action Plan.

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Operator: Mike Riese
Clerk: Brittnay Woydziak
Cell: 620-923-5090

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2025

SECTION II – FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

2024-001

Condition
Material adjustments were not recorded on the books at year-end for accounts payable and accounts receivable.

Corrective Actions
During the year, the District has made reasonable efforts to record all transactions properly.

Current Status
This is an ongoing issue and listed as financial statement finding 2025-001 in the current year.

SIGNIFICANT DEFICIENCY

2024-002

Condition
Proper segregation of duties does not exist in the accounting system.

Corrective Actions
During the year, the District has continued to segregate incompatible duties, where possible. However, due to the size of the District, it is not feasible to fully remedy the incompatible duties.

Current Status
This is an ongoing issue and listed as financial statement finding 2025-002 in the current year.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2024-003

SIGNIFICANT DEFICIENCY

Condition
During inquiry of District management, it was determined that the District did not have the required written policies.

RUSSELL RURAL WATER DISTRICT NO. 3
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2025

Corrective Actions
District staff are currently working towards implementing the required written policies.

Current Status
This is an ongoing issue and listed as financial statement finding 2025-003 in the current year.