

PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 8
BUTLER COUNTY, KANSAS

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

RURAL WATER DISTRICT NO. 3
BUTLER COUNTY, KANSAS

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MDP
Michael D. Peroo CPA, PA

INDEPENDENT AUDITORS' REPORT

Board of Directors and Members
Public Wholesale Water Supply District No. 8
Butler County, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Public Wholesale Water Supply District No. 8, Butler County, Kansas (District), as of and for the years ended December 31, 2024 and 2023 and the related notes to the financial statement.

Adverse and Unmodified Opinions

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Unmodified Opinion on Regulatory Basis of Accounting

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

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the *Kansas Municipal Audit and Accounting Guide*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the financial statement is prepared by the District on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described

in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management for the Financial Statement

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

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubts 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 included 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 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 judgement made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

- exercise professional judgement 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 polices 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 judgement, 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 the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Regulatory-Required 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 (Schedule 1) 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 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 "Municipality", Kansas as of and for the year ended December 31, 2023 (not presented herein), and have issued our report thereon dated May 4, 2024, which contained an unmodified opinion on the basic financial statement. The 2023 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link https://admin.ks.gov/offices/accountsreports/local-government/municipal-services. The 2023 actual column (2023 comparative information) presented in the schedule of receipts and expenditures 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 2023 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2023 basic financial statement. The 2023 comparative information was subjected to the auditing procedures applied in the audit of the 2023 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2023 basic financial statement or to the 2023 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2023 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2023, on the basis of accounting described in Note 1.

Michael D. Peroo, CPA, PA

March 10, 2025

Olathe, Kansas

Michael D. Peroo, CPA

Michael D. Peroo, CPA

In Charge of and Actively Engaged

on this Audit

PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 8
BUTLER COUNTY, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
REGULATORY BASIS
YEAR ENDING DECEMBER 31, 2024

Fund	Beginning Unemcumbered Cash Balance	Cash Receipts	Cash Expenditures	Ending Unemcumbered Cash Balance
Water Utility	$ 176,365	$ 308,176	$ 334,884	$ 149,657

Composition of Cash:	
Checking Account	19,345
Savings Account	16,995
Certificates of Deposit	113,317
	$ 149,657

PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 8
BUTLER COUNTY, KANSAS

NOTES TO FINANCIAL STATEMENT
YEAR ENDED DECEMBER 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization - Public Wholesale Water District 8 (District) was established as a tax-exempt organization to acquire water and water rights and to build and acquire pipelines for the purpose of furnishing water primarily to Rural Water District No. 3 of Butler County, Kansas.

b. Basis of Accounting – Regulatory Basis of Accounting – The Kansas Municipal Audit and Accounting Guide (KMAAG) involves the recognition of cash, cash equivalents, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments on a regulatory basis for each, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory revenues and regulatory disbursements for the fiscal year. KMAAG does not recognize capital assets, long-term debt, receivables and payables or any other assets, liabilities or deferred inflows or outflows, other than mentioned above.

The District accounts for the water utility as a governmental enterprise fund. The District accounts for revenues and expenditures on a regulatory basis. Revenues are recognized when cash is received and expenditures are recognized when cash is paid. The District does not record capital assets, long-term debt, payables, other assets, receivables or deferred inflows and outflows.

c. Water rates – The District increased water rates to Rural Water District No. 3 of Butler County, Kansas from $3.76 to $4.27 per 1,000 gallons. The rate went in effect on October 1, 2023.

d. Inventory – The District does not maintain an inventory and purchases items as needed; all supplies are expensed in the period purchased.

e. Income taxes - The District is considered a tax-exempt entity and is not subject to income taxes at either the federal or state level.

2. CASH AND INVESTMENTS

The following represents the District's cash accounts:

Community National Bank & Trust - Operating	$	19,345
Community National Bank & Trust - Savings		16,995
Community National Bank & Trust - CD's		113,317
	$	149,657

The following represents the certificates of deposit:

	Maturity	Interest		Amount
Community National Bank & Trust	7/15/2025	4%	$	63,929
Community National Bank & Trust	12/20/2025	3%		49,388
			$	113,317

Under K.S.A. 12-1675, the District is limited to the type of investments; which include U.S. Treasuries, Certificates of Deposits, Money Market Accounts, etc. The above accounts are in compliance with K.S.A. 12-1675 and considered low risk.

Under K.S.A. 9-1401, the District is required to use depositories within the county or in an adjoining county if such institution has been designated as an official depository, and the bank provide an acceptable rate of return on funds.

K.S.A. 9-1402 requires banks to pledge securities for deposits in excess of FDIC coverage. The District's deposits are not in excess of coverage, so no pledged securities were needed at December 31, 2023.

Interest Rate Risk

Interest rate risk is the risk that the fair value of the District's investments will decrease as a result of an increase in interest rates. In accordance with Kansas Statute 12-1675, the District limits its investments to maturities of two years or less.

Credit Risk

Credit risk is the risk that the counterparty will not fulfill its obligations, or in the event of a bank failure, the District's deposits may not be returned to it. In accordance with K.S.A. 9-1402 the District's deposits are covered by FDIC, and pledged securities should the deposits increase in excess of FDIC coverage.

3. CONCENTRATION OF CREDIT RISK

Rural Water District No. 3 of Butler County, Kansas accounts for 82% of the water sales.

The District also purchases its water from a single source, the City of El Dorado. The District purchased 83,952,000 gallons of water from El Dorado in 2024.

4. SUBSEQUENT EVENTS

In preparing the financial statements, and in accordance with ASC 855, Subsequent Events, the District has evaluated events and transactions for potential recognition or disclosure through March 10, 2025, the date the financial statements were available to be issued. There are no events or transactions that require adjustments to or disclosure in these financial statements.

5. COMPLIANCE WITH KANSAS STATUTES

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and legal representatives of the water district. There were no apparent statutory violations during the year ended December 31, 2024.

6. RISK MANAGEMENT

The District has various risks including injury to employees, liability, etc. The District insures these risks through insurance policies.

7. WATER CONTRACTS

The District entered into a water contract with the City of El Dorado on December 30, 1983. The District agrees not to use more than 100,000 cubic feet of water per day unless permission, in writing is obtained. The rate at December 31, 2024 was $3.00.

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PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 8
BUTLER COUNTY, KANSAS

Schedule 1

SCHEDULE OF RECEIPTS AND EXPENDITURES - WATER UTILITY FUND
YEAR ENDING DECEMBER 31, 2024

	2024	2023
WATER SALES	$ 304,551	$ 326,267
OPERATING EXPENSES:		
Water purchases	256,267	250,043
Personnel costs	13,756	17,402
Insurance	4,590	2,938
Utilities	18,703	17,815
Repairs, maintenance and supplies	21,467	25,290
Administrative	651	4,185
Capital outlay	11,445	8,338
Lab	1,412	535
Professional fees	6,593	3,600
Total operating expenses	334,884	330,147
LOSS FROM OPERATIONS	(30,333)	(3,880)
NONOPERATING INCOME:		
Interest income	3,625	1,620
Total nonoperating income	3,625	1,620
CHANGE IN CASH	(26,708)	(2,259)
UNENCUMBERED CASH BALANCE, BEGINNING	176,365	178,624
UNENCUMBERED CASH BALANCE, ENDING	$ 149,657	$ 176,365