Rural Water District No. 10
Jefferson County, Kansas

Financial Statement
As of December 31, 2023
and For the Year Then Ended

With Report by Independent Auditor

SHIPLEY
CPA, LLC
Audit, Assurance, & Consulting Services

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Rural Water District No. 10
Jefferson County, Kansas

Adverse and Unmodified Opinions
I have audited the accompanying fund summary statement of regulatory basis receipts, expenditures and unencumbered cash balances of the Rural Water District No. 10, Jefferson County, Kansas (the District), as of and for the year ended December 31, 2023 and the related notes to the financial statement.

Adverse Opinion on U.S. Generally Accepted Accounting Principles
In my opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of my report, the accompanying financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2023, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting
In my opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the District as of December 31, 2023, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

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

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

Responsibilities of Management for the Financial Statement

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

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

Auditor's Responsibilities for the Audit of the Financial Statement

My 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 my 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, I:

- 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 my 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.

I am 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 I identified during the audit.

Supplementary Information

My 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 individual fund schedules of regulatory basis receipts and expenditures-actual are presented for purposes of additional analysis and are not a required part of the basic financial statement, however are 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 my 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.

Shipley CPA, LLC

Shipley CPA, LLC
Topeka, Kansas
July 26, 2024

Statement 1

RURAL WATER DISTRICT NO 10.
JEFFERSON COUNTY, KANSAS
SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances And Accounts Payable	Ending Cash Balance
Special Purpose Funds:						
Maintenance Fund	9,854	4,753	-	14,607	-	14,607
Bond Reserve Fund	31,884	7,800	22,088	17,596	-	17,596
Business Fund:						
Water Fund	142,692	120,142	124,018	138,816	-	138,816
Total	$ 184,430	$ 132,695	$ 146,106	$ 171,019	$ -	$ 171,019

Composition of Cash:	
Checking accounts	$ 171,019
Total Reporting Entity	$ 171,019

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

RURAL WATER DISTRICT NO 10.
JEFFERSON COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2023

Note 1 – Summary of Significant Accounting Policies

Municipal Financial Reporting Entity

Rural Water District No. 10, Jefferson County, Kansas (the District) was incorporated and organized in 1969 under K.S.A. 82a-613 et. seq. to provide drinking water to patrons in Lakeshore Estates part of the Ozawkie township in Jefferson County, Kansas. The District is a Kansas municipality and is exempt from federal and state income taxes.

The District is a quasi-municipal corporation governed by an elected five-member council and provides water to over 118 members of Lakeshore Estates in Jefferson County, Kansas. All water sales are made to residents in the District. Accordingly, the District's operations are dependent upon the economic conditions of the area.

Regulatory Basis Fund Types

The accounts of the District are organized and operated on the basis of funds. 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 out specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

The following types of funds were utilized in recording the financial activities of the District for the year 2023:

> Special Purpose funds – Used to account for the proceeds of specific tax levies and other specific regulatory receipt sources that are intended for specified purposes.
>
> Business funds – 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 District to use regulatory basis of accounting.

Note 1 – Summary of Significant Accounting Policies (continued)

Reimbursed Expenses

The District records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as a receipt to the fund that receives the reimbursement. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements under KMAAG regulatory basis accounting.

Note 2 – 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 or branch bank in the county in which the District is located 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, except during designated "peak periods" when required coverage is 50%. The District did not have a peak period pledge agreement during 2023, and therefore the District did not designate peak periods.

At December 31, 2023, the carrying amount of the District's deposits was $171,019 and the bank balance was $166,386. The bank balance were held at one bank resulting in a concentration of credit risk. The entire bank balances was covered by FDIC 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.

RURAL WATER DISTRICT NO 10.
JEFFERSON COUNTY, KANSAS

NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2023

Note 3 – Long-Term Debt

Changes in long-term liabilities for the District for the year ended December 31, 2023 were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
Revenue Bond:									
Series 2021	1.00-3.00%	3/23/2021	$ 350,000	3/1/2041	$ 335,000	$ -	$ 15,000	$ 320,000	$ 7,088

Current maturities of long-term debt and interest for the next five-year increments through maturity are as follows:

	2024	2025	2026	2027	2028	2029-2033	2034-2038	2039-2043	Total
Principal									
Series 2021	$ 15,000	$ 15,000	$ 15,000	$ 15,000	$ 15,000	$ 85,000	$ 100,000	$ 60,000	$ 320,000
Interest									
Series 2021	6,937	6,787	6,637	6,431	6,169	26,531	15,825	2,700	78,017
	$ 21,937	$ 21,787	$ 21,637	$ 21,431	$ 21,169	$ 111,531	$ 115,825	$ 62,700	$ 398,017

Note 4 – Interfund Transactions

Operating transfers were as follows:

From	To	Amount	Authority
Water Fund	Maintenance Fund	$ 4,753	n/a
Water Fund	Bond Reserve Fund	7,800	n/a

Note 5 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District manages these risks of loss through the purchase of various insurance policies.

Note 6 – Other Information

The District had 115 and 130 customers as of December 31, 2023 and 2022, respectively.

Note 7 – Evaluation of Subsequent Events

The District has evaluated events and transactions for potential recognition or disclosure through the date of the independent auditor's report, which is the date the financial statement was available for issue.

Regulatory-Required Supplementary Information

RURAL WATER DISTRICT NO 10.
JEFFERSON COUNTY, KANSAS
MAINTENANCE FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023

Receipts		
Transfers in	$	4,753
Total Receipts		4,753
Expenditures		
Contractual		-
Total Expenditures		-
Receipts Over (Under) Expenditures		4,753
Unencumbered Cash, Beginning		9,854
Unencumbered Cash, Ending	$	14,607

RURAL WATER DISTRICT NO 10.
JEFFERSON COUNTY, KANSAS
BOND RESERVE FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023

Receipts	
Transfers in	$ 7,800
Total Receipts	7,800
Expenditures	
Miscellaneous	-
Bond principal and interest payment	22,088
Total Expenditures	22,088
Receipts Over (Under) Expenditures	(14,288)
Unencumbered Cash, Beginning	31,884
Unencumbered Cash, Ending	$ 17,596

RURAL WATER DISTRICT NO 10.
JEFFERSON COUNTY, KANSAS
WATER FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023

Receipts		
Charges for services	$	106,095
Interest on idle funds		135
Miscellaneous		13,912
Total Receipts		120,142
Expenditures		
Personnel		31,826
Commodities		4,644
General and administrative		61,547
Utilities		12,457
Transfers out		12,553
Miscellaneous		991
Total Expenditures		124,018
Receipts Over (Under) Expenditures		(3,876)
Unencumbered Cash, Beginning		142,692
Unencumbered Cash, Ending	$	138,816