Consolidated Rural Water District No. 3
Shawnee County, Kansas

Financial Statements
As of December 31, 2024 and 2023
and For the Years 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
Consolidated Rural Water District No. 3
Shawnee County, Kansas

Opinion

I have audited the accompanying financial statements of the business-type activities of Consolidated Rural Water District No. 3 (the District), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of December 31, 2024, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Auditing and Accounting Guide. My responsibilities under those standards are further described below in the Auditor's Responsibilities for the Audit of the Financial Statements 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 audit opinion.

Other Matter

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is considered to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Prior Year Financial Statements Audited by Other Auditors

The financial statements of the District as of and for the year ended December 31, 2023 were audited by other auditors who issued an unmodified opinion in their report dated March 29, 2024.

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 within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 auditor's report that includes my opinion. 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 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, including omissions, 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 generally accepted auditing standards, 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.

Shipley CPA, LLC

Shipley CPA, LLC
Topeka, Kansas
February 6, 2025

CONSOLIDATED RURAL WATER DISTRICT NO. 3
STATEMENTS OF NET POSITION
AS OF DECEMBER 31,

	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents	$ 560,225	$ 394,208
Certificates of deposit	1,801,148	1,842,360
Accounts receivable	146,850	129,424
Inventory	64,492	63,626
Total Current Assets	2,572,715	2,429,618
Noncurrent Assets		
Capital assets, net	2,976,218	3,025,601
Total Noncurrent Assets	2,976,218	3,025,601
Total Assets	$ 5,548,933	$ 5,455,219
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	$ -	$ 23,341
Other liabilities	10,259	4,736
Total Liabilities	10,259	28,077
Net Position		
Net investment in capital assets	2,976,218	3,025,601
Unrestricted	2,562,456	2,401,541
Total Net Position	5,538,674	5,427,142
Total Liabilities and Net Position	$ 5,548,933	$ 5,455,219

CONSOLIDATED RURAL WATER DISTRICT NO. 3
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31,

	2024	2023
Operating Revenues		
Water sales	$ 1,325,015	$ 1,327,165
City of Topeka water sales	79,533	79,121
RWD #8 water sales	788,131	505,742
Total Operating Revenues	2,192,679	1,912,028
Operating Expenses		
Water purchases	1,571,197	1,369,927
Payroll and payroll taxes	259,411	241,896
Employee pension and benefits	51,740	49,836
Office supplies and postage	25,905	45,960
Insurance	31,712	32,647
Professional fees	18,858	17,545
Depreciation	139,383	141,680
Engineering	5,461	6,617
Water taxes	2,259	3,303
Repairs and maintenance	104,376	109,095
Board member expense	6,800	6,000
Utilities and telephone	32,618	32,287
Miscellaneous	1,286	2,104
Total Operating Expenses	2,251,006	2,058,897
Net Operating Loss	(58,327)	(146,869)
Nonoperating Revenue (Expense)		
Interest income	78,593	33,829
Other fees	23,666	23,788
Penalties/ late charges	-	1,525
Interest expense	-	(4,103)
Net Nonoperating Revenue (Expense)	102,259	55,039
Net Income (Loss) Before Contributions	43,932	(91,830)
Capital contributions:		
Benefit units sold	32,150	5,200
Contributions in aid of construction	35,450	5,800
Total Capital Contributions	67,600	11,000
Change in Net Position	111,532	(80,830)
Net Position - Beginning of Year	5,427,142	5,507,972
Net Position - End of Year	$ 5,538,674	$ 5,427,142

CONSOLIDATED RURAL WATER DISTRICT NO. 3
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2024	2023
Cash Flows From Operating Activities		
Receipts from customers	$ 2,175,253	$ 1,975,768
Payments to suppliers	(1,870,896)	(1,653,188)
Payments to employees for services	(259,411)	(241,896)
Net Cash From Operating Activities	44,946	80,684
Cash Flows From Investing Activities		
Invested in certificates of deposit	41,212	183,984
Interest income	78,593	33,829
Purchase of capital assets	(90,000)	(7,971)
Net Cash From Investing Activities	29,805	209,842
Cash Flows From Capital and Related Financing Activities:		
Principal payment of debt	-	(153,768)
Other fees	23,666	23,788
Penalties/ late charges	-	1,525
Interest and service fees paid on long-term debt	-	(4,103)
Proceeds from sale of benefit units	32,150	5,200
Contributions in aid of construction	35,450	5,800
Net Cash From (Used In) Financing Activities	91,266	(121,558)
Net Change in Cash and Cash Equivalents	166,017	168,968
Cash and Cash Equivalents, Beginning of Year	394,208	225,240
Cash and Cash Equivalents, End of Year	$ 560,225	$ 394,208
Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities		
Net Operating Loss	$ (58,327)	$ (146,869)
Adjustments to Reconcile Net Operating Income to Net Cash From Operating Activities		
Depreciation	139,383	141,680
Changes in assets and liabilities:		
Accounts receivable	(17,426)	63,739
Inventory	(866)	(31,863)
Prepaid expenses	-	39,016
Accounts payable	(23,341)	14,472
Other liabilities	5,523	-
Accrued interest	-	509
Net Cash From Operating Activities	$ 44,946	$ 80,684

Note 1 – Summary of Significant Accounting Policies

Consolidated Rural Water District No. 3, Shawnee County, Kansas (the District) was organized under Kansas law and is accounted for as an enterprise fund using the accrual basis of accounting. The District's purpose and objective is to acquire water and water rights, to build and acquire pipelines and for the purpose of furnishing water for domestic, agriculture, and/or other purposes. The District provides services to patrons in Shawnee County.

The Financial Reporting Entity

The financial reporting entity of the District is comprised of the primary government, the District. The accompanying financial statements present the activities and consolidated rural water operating fund of the District. The District has considered all potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District. Based on these criteria, there are no component units to be included within the District as a reporting entity.

Basis of Presentation

Government-wide statements. The *statements of net position* and the *statements of revenues, expenses and changes in net position* display information about the primary government, the District. These statements show that the financial activities of the overall government business-type activities are financed mostly by fees charged to external parties. Business-type activities are reported in one fund.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following proprietary (business-type enterprise) fund:

> *Consolidated Rural Water*. This business-type enterprise fund accounts for the operation and maintenance of the water system of the District. All activities and balances of the entity are accounted for in this fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Proprietary Fund Financial Statements. The proprietary fund financial statements are reported using the economic resources measurement focus. The proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include special assessments, grants, entitlements, and donations.

Enterprise funds are used to account for operations operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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

Budgetary Information

Kansas statutes provide an exemption for the District to legally adopt a budget for the fund types used by the District. The budget established by the District is for management use only. Expenditures are controlled through internal spending limits monitored by the board of directors.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the District considers all highly liquid investments with original maturities of three months or less to be cash equivalents. For the purposes of the statement of cash flows, the District considers petty cash, money market, and cash in bank accounts as cash and cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

The District reads meters during the week of the 10th each month and the invoices are mailed out on the 20th of each month. Payments for water service are due the 15th day of the following month or will be subject to a late charge 10%. Accounts receivable include amounts due from customers for water use. All receivables are current and, therefore, due within one year. As most customers pay before they are disconnected and there have been no amounts written off in the past three years. Management has evaluated all receivables and determined that the allowance for doubtful accounts should be $0 as of December 31, 2024 and 2023.

Inventory

Inventories consist of primarily water meters, pipe, and line maintenance material. Inventories are stated at the lower cost or market. Cost is determined using the first in first out (FIFO) method.

Capital Assets, Net

Property, plant and equipment are recorded at cost less accumulated depreciation. Improvements and betterments to existing property and equipment are capitalized. Expenditures for maintenance and repair which do not extend the life of the applicable assets are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period. The district does not have a formal capitalization policy.

When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets, Net (continued)

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset.

Depreciation methods, and estimated useful lives of capital assets are as follows:

Meters	Straight-line	40 years
Shop equipment	Straight-line	3 – 10 years
Office equipment	Straight-line	3 – 10 years
Purification	Straight-line	10 – 20 years
Furniture & fixtures	Straight-line	3 – 10 years
Connection fee	Straight-line	40 years

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from non-exchange transactions or ancillary activities.

Capital Contributions

Assets contributed by new benefit units are recorded as capital contributions when received. When a benefit unit is returned, operating revenue is recognized for the capital contribution that was originally recorded

Aid in Construction

Aid in construction represents contributions from the members for line extensions and are included in the statement of revenues, expenses and changes in net position.

Net Position

Net position is comprised of the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is classified in the following components:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences

For each employee of the District will earn paid for each year of continuous employment as follows:

After 1 year	One week (40 hours) each year
After 2 years	Two weeks (80 hours) each year
After 5 years	Three weeks (120 hours) each year

A full year of continuous employment means that as of your anniversary date each year, you have completed at least continuous calendar months of employment. Vacation days may be accumulated up to a minimum of 20 days (160 hours).

Unused vacation will be paid provided the district receives a minimum of two weeks' notice of termination of employment from the employee. Each employee of the district shall accumulate 1 day (8 hours) of sick leave per month beginning the first full month of employment. Sick leave benefits may be accumulated up to a maximum of 30 days (240 hours). Once the maximum amount of sick days has been accumulated by the employee no further days may be accrued. Sick leave benefits may also be used for medical related conditions such as immediate family members shall include your spouse, children, employee's parents, and employee's spouse's parents.

Tax Exempt Status

The District qualifies as a tax-exempt organization for Federal and State income tax purposes. Accordingly, the financial statements do not include a provision for Federal or State income tax liability expense. While the District is not required to file tax returns, the payroll activities of the District for at least the most recent three years are subject to examination by the IRS and state taxing authorities.

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 2024, and therefore the District did not designate peak periods.

Note 2 – Deposits and Investments (continued)

At December 31, 2024, the carrying amount of the District's deposits, including certificates of deposit, was $2,361,373 and the bank balance was $2,718,863. The bank balance were held at three banks resulting in a concentration of credit risk. Of the bank balance, $800,000 was covered by FDIC, $1,915,242 was covered by collateral and securities in the District's name and $3,621 was unsecured at December 31, 2024.

At December 31, 2023, the District's carrying amounts of deposits, including certificates of deposit, was $2,236,568, of which $750,000 was covered by FDIC insurance. $1,794,204, was collateralized by securities held in safekeeping pledged to the District. The District was not exposed to any credit risk as of December 31, 2023.

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.

Note 3 – Concentrations of Suppliers and Customers

The District acquires 100% of its water from the City of Topeka, Kansas. There are no other suppliers of water available for the District.

The District has a contract with Rural Water District #8, Osage County, Kansas for the delivery and selling of water supply to Rural Water District #8. The contract was renewed in 2024. Rural Water District #8 accounted for 36% and 26% of sales in 2024 and 2023, respectively.

Note 4 – Capital Assets

Capital asset activity for the year ended December 31, 2024 was as follows:

	Balance on December 31, 2023	Additions	Retirements	Balance on December 31, 2024
Nondepreciable Capital Assets				
Land	$ 34,579	$ -	$ -	$ 34,579
Construction in progress	-	90,000	-	90,000
Total Nondepreciable Capital Assets	34,579	90,000	-	124,579
Depreciable Capital Assets				
Distribution system	5,641,179	-	-	5,641,179
Building	589,616	-	-	589,616
Office equipment	24,308	-	-	24,308
Shop equipment	355,767	-	-	355,767
Connection fee	874,224	-	-	874,224
Total Depreciable Capital Assets	7,485,094	-	-	7,485,094
Accumulated depreciation	(4,494,072)	(139,383)		(4,633,455)
Total Depreciable Capital Assets, Net	2,991,022	(139,383)	-	2,851,639
Capital Assets, Net	$ 3,025,601	$ (49,383)	$ -	$ 2,976,218

Note 4 – Capital Assets (continued)

Capital asset activity for the year ended December 31, 2023 was as follows:

	Balance on December 31, 2022	Additions	Retirements	Balance on December 31, 2023
Nondepreciable Capital Assets				
Land	$ 34,579	$ -	$ -	$ 34,579
Depreciable Capital Assets				
Distribution system	5,633,208	7,971	-	5,641,179
Building	589,616	-	-	589,616
Office equipment	24,308	-	-	24,308
Shop equipment	355,767	-	-	355,767
Connection fee	874,224	-	-	874,224
Total Depreciable Capital Assets	7,477,123	7,971	-	7,485,094
Accumulated depreciation	(4,352,392)	(141,680)		(4,494,072)
Total Depreciable Capital Assets, Net	3,124,731	(133,709)	-	2,991,022
Capital Assets, Net	$ 3,159,310	$ (133,709)	$ -	$ 3,025,601

Note 5 – Retirement Plan

The District has a Savings Incentive Match Plan for Employees (SIMPLE) whereby, the eligible employees defer a percentage of their compensation, and the District contributes 3%. All contributions made under the SIMPLE plan are fully vested and non-forfeitable. For the years ended December 31, 2024 and 2023, the District contributed $7,220 and $6,509 to the SIMPLE plan, respectively.

Note 6 – Risk Management

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from prior years and settlements have not exceeded coverage in the past three years.

Note 7 – Other Information

The District had 1,184 and 1,168 active meters as of December 31, 2024 and 2023, respectively.

Note 8 – Compliance with Kansas Statutes

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Kansas Director of Accounts and Reports and interpretation by the Shawnee County Attorney and legal representatives of the District. There were no apparent statutory violations during the year end December 31, 2024 and 2023.

Note 9 – 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.