JEFFERSON COUNTY RURAL WATER DISTRICT NO. 1

FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT
YEARS ENDED DECEMBER 31, 2024 and 2023

Cummins, Coffman & Schmidtlein
Certified Public Accountants, P.A.

JEFFERSON COUNTY RURAL WATER DISTRICT NO. 1

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Coffman &
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Certified Public Accountants, P.A.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rural Water District No. 1, Jefferson County, Kansas
Meriden, KS

Opinion

We have audited the accompanying financial statements of Jefferson County Water District No. 1 which comprise the statement of net position as of December 31, 2024 and 2023, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jefferson County Rural Water District No. 1, as of December 31, 2024 and 2023, and the changes in net position and its cash flows for the years 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Jefferson County Water District No. 1 and to meet our 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 these 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 about Jefferson County Water District No. 1'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 Responsibility

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 auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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, 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 Jefferson County Water District No. 1'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 Jefferson County Water District No. 1'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.

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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jefferson County Water District No. 1's basic financial statements as a whole. The Schedule of Insurance Coverage is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, 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 financial statements as a whole.

Cummins, Coffman & Schmidtlein, CPA's, P.A.
Topeka, Kansas
February 10, 2025

JEFFERSON COUNTY RURAL WATER DISTRICT NO. 1
STATEMENTS OF NET POSITION
For the Years Ended

Assets

	December 31 2024	December 31 2023
Current assets		
Cash	$ 114,114	$ 78,342
Certificates of deposit	1,042,248	887,280
Certificates of deposit - restricted	1,051,119	975,731
Accounts receivable	41,044	42,519
Prepaid and other expenses	8,635	7,736
Inventory	72,607	83,967
Total current assets	2,329,767	2,075,575
Non-current assets		
Capital assets, net of accumulated depreciation	1,304,256	1,354,953
Total non-current assets	1,304,256	1,354,953
Total assets	$ 3,634,023	$ 3,430,528

Liabilities and Net Position

Current liabilities		
Accounts payable	$ 15,869	$ 32,263
Accrued expenses	6,369	4,832
Total current liabilities	22,238	37,095
Total liabilities	22,238	37,095
Net position		
Net investment in capital assets	1,304,256	1,354,953
Restricted	1,051,119	975,731
Unrestricted	1,256,410	1,062,749
Total net position	3,611,785	3,393,433
Total liabilities and net position	$ 3,634,023	$ 3,430,528

The accompanying notes are an integral part of these financial statements.

JEFFERSON COUNTY RURAL WATER DISTRICT NO. 1
STATEMENTS OF ACTIVITIES AND CHANGES IN NET POSITION
For the Years Ended

	December 31 2024	December 31 2023
Operating revenues		
Water sales	$ 539,968	$ 524,524
Late fees	4,850	7,052
Reimbursements	17,764	-
Miscellaneous	2,928	1,597
Total operating revenues	565,510	533,173
Operating expenses		
Personnel costs	30,375	33,424
Contract services	144,039	142,799
Utilities	35,612	36,024
Office supplies	16,051	19,787
Repairs and maintenance	56,364	45,491
Professional fees	28,783	27,090
Depreciation and amortization	109,224	110,388
Insurance	11,129	11,719
Vehicle expenses	550	553
Bad debt	1,370	590
Chemicals and supplies	7,846	10,896
Lab fees	3,285	569
Water taxes	4,714	3,370
Rent	580	105
Miscellaneous	1,944	1,424
Total operating expenses	451,866	444,229
Operating income (loss)	113,644	88,944
Non-operating revenues (expense)		
Interest income	80,448	37,039
Total non-operating revenues (expense)	80,448	37,039
Net income (loss) before contributions	194,092	125,983
Capital contributions from members	24,260	33,043
Change in net position	218,352	159,026
Net position - beginning of year	3,393,433	3,234,407
Net position - end of year	$ 3,611,785	$ 3,393,433

The accompanying notes are an integral part of these financial statements.

JEFFERSON COUNTY RURAL WATER DISTRICT NO. 1
STATEMENTS OF CASH FLOWS
For the Years Ended

	December 31 2024	2023
Cash flows from operating activities:		
Cash received from customers	$ 564,056	$ 532,262
Cash paid to suppliers of goods or services and to employees for services	(344,109)	(317,876)
Net cash provided by operating activities	219,947	214,386
Cash flows from investing activities:		
Interest received	80,448	37,039
Net cash from investing activities	80,448	37,039
Cash flows from capital and related financing activities:		
Contributed capital	24,260	33,043
Purchase and construction of capital assets	(58,527)	(41,151)
Net cash provided by (used in) capital and related financing activities	(34,267)	(8,108)
Net increase (decrease) in cash and cash equivalents	266,128	243,317
Cash and cash equivalents:		
Beginning of year	1,941,353	1,698,036
End of year	$ 2,207,481	$ 1,941,353
Reconciliation of operating income (loss) to net cash provided (used in) operating activities		
Operating income (loss)	$ 113,644	$ 88,944
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	109,224	110,388
Changes in assets and liabilities		
Accounts receivable	1,475	687
Prepaid and other expenses	(899)	753
Inventory	11,360	-
Accounts payable	(16,394)	14,535
Accrued expenses	1,537	(921)
Net cash provided by (used in) operating activities	$ 219,947	$ 214,386

The accompanying notes are an integral part of these financial statements.

1. Organization and Significant Accounting Policies

Organization

Rural Water District No. 1, Jefferson County (the District) was organized under Kansas law in 1959 with the purpose and objective to acquire water and water rights, and to build and acquire pipelines and other facilities for the purpose of furnishing water for domestic, agriculture, and/or other purposes. The District provides services to patrons located within the District in Jefferson County. The District does not have any component units.

Government-wide and Fund Financial Statements

The statement of net position and the statement of revenues, expenses, and changes in net position report information on the District as a whole. All activities of the District are business-type activities operated as a single proprietary fund.

Basis of Accounting

The District's financials are prepared in accordance with generally accepted accounting principles (GAAP) for an enterprise fund using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. Operating revenues and expenses generally result from providing services. All other revenues and expenses not meeting this definition are nonoperating. The statement of cash flows provides information about how the District meets the cash flow needs of its activities.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments (including certificates of deposits) with original maturities of twelve months or less from the date of acquisition.

The District invests its unrestricted cash in a financial institution in northeast Kansas.

Accounts Receivable

The District offers unsecured credit for water services and the collection of accounts receivable is generally current with very few uncollectible accounts. Uncollectible accounts are written off in the period in which they become uncollectible.

1. Organization and Significant Accounting Policies (continued)

Inventory

The District's inventory is valued at cost, it consists primarily of materials and supplies used for maintaining the water distributions system. Cost is determined on a first-in, first-out method.

Property and Equipment

Property 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. The District maintains an account for capital assets, which consists of buildings, well, water system, standpipes and equipment. Depreciation is computed using straight-line method over the 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's capitalization polices are as follows:

	Capitalization Threshold	Estimated Useful life
Plant and equipment	$ 5,000	3 – 30 years
Distribution systems	5,000	10 – 40 years

Benefit Units

Benefit units are rights that entitle the holder to water service. Benefit units are presently sold for $3,510 per meter. The benefit units in service on December 31, 2024, and 2023 was 1,008 and 1,001.

Line Extension and Meter Deposits

The District requires customers to pay in advance for the cost of constructing lines.

Net Position

The District's net position is displayed in three components as follows:

Net investment in capital assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

1. Organization and Significant Accounting Policies (continued)

Net Position (continued)

Restricted – This consists of net position that is legally restricted by outside parties or by the law through constitutional provisions or enabling legislations.

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

The District's restricted net position is compromised designated funds as determined by the Board.

Operating Revenues and Expenses

Revenues and expenses consist of those revenues and expenses that result from the ongoing principal operation of the District. Revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities.

Statement of Cash Flows

A statement of cash flows is presented in accordance with Governmental Accounting Standards Board Statement 9, for the District which operates predominantly as a proprietary fund. For the purposes of the statement of cash flows demand deposits are considered to be cash equivalents.

2. Deposits and Investments

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, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the District ay invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

2. Deposits and Investments (continued)

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 that 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%. All deposits were legally secured at December 31, 2024.

At December 31, 2024 and 2023, the District's carrying amounts of deposits was $2,207,481 and $1,941,353, and the bank balance was $2,199,069 and $1,941,856. The bank balance was held in two banks resulting in a concentration of credit risk. Of the bank balances, $250,000 was covered by FDIC insurance and the remaining balance was collateralized with securities held by the pledging financial institutions' agents in the District's name.

3. Accounts Receivable

Accounts receivable are carried at the original billed amount. Management determines bad debts that have become uncollectible and writes them off in the period that the accounts become uncollectible.

The District had the following rate structure at December 31, 2024, and 2023:

Minimum	$20 per month, includes 2,000 gallons
Rate per 1,000 gallons	$3.80
Capital improvement fee	$7.50 per meter per month

4. Prepaid and Other Expenses

Prepaid and other expenses for the years ended, consist of the following:

	2024	2023
Deposits	561	1,236
Prepaid insurance	7,689	6,133
REA capital credits	385	367
Total prepaid and other expenses	8,635	7,736

5. Property and Equipment

Capital asset activity for the years ended December 31, 2024 and 2023:

	Balance December 31, 2023	Additions	Deletions	Balance December 31, 2024
Land	$ 84,038	$ -	$ -	$ 84,038
Building	77,507	-	-	77,507
Equipment - Office	38,949	1,377	-	40,326
Plant & Lines	4,417,807	57,150	-	4,474,957
Total capital assets	4,618,301	58,527	-	4,676,828
Less accumulated depreciation	(3,263,348)	(109,224)	-	(3,372,572)
Total capital assets, net of accumulated depreciation	$ 1,354,953	$ (50,697)	$ -	$ 1,304,256

Depreciation expense was $109,224 and $110,388 for the years ended December 31, 2024, and 2023.

6. Compensated Absences

The District does not have any formal policies concerning compensated absences.

7. Risk Management

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

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 Director of Accounts and Reports and interpretations by the County Attorney and legal representatives of the District. Management is not aware of any violations of Kansas statutes during the years ended December 31, 2024 and 2023.

9. Related Party Transaction

In 2024 and 2023, the District paid $174,178 and $152,949, respectively to a contractor who is related to a board member. The payments were for services provided as the certified water operator for the District.

10. Tax Exempt Status

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

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.

11. Cash and Cash Equivalents

Cash and cash equivalents consist of the following for the years ended:

	December 31	
	2024	2023
Cash, unrestricted	$ 114,114	$ 78,342
Restricted capital improvement	1,051,119	975,731
Certificates of deposit	1,042,248	887,280
Total cash and cash equivalents	$ 2,207,481	$ 1,941,353

12. Subsequent Event

Subsequent events for management's review have been evaluated through February 11, 2025, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY RURAL WATER DISTRICT NO. 1
SCHEDULE OF STATISTICAL INFORMATION
For the Years Ended

		December 31	
		2024	2023
Gallons of water sold		68,126,980	74,091,582
Gallons purchased and produced		88,696,700	102,790,000
Water loss percentage		23.19%	27.92%
Number of benefit units		1,014	1,001
Average monthly water usage per customer		4,680	6,500
Average monthly water sales per benefit unit (calculated from water sales)	$	36.80	36.20
Average monthly costs per benefit unit (calculated from operating expenses)	$	34.13	36.95