VARNEY
& ASSOCIATES, CPAs, LLC

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

April 22, 2026

Board of Cowley County Rural Water District #1
Eddie Crittenden
33191 Tower Road
Arkansas City, KS 67005

We have performed the procedures enumerated below on Cowley County Rural Water District #1's compliance with the internal policies and procedures and laws and regulations as required by Kansas State statutes, relating to its fiscal operations managed by the Board of Cowley County Rural Water District #1 for the year ended December 31, 2025 (subject matter). The Kansas Municipal Audit and Accounting Guide (KSA 75-1122) requires agreed upon procedures to be performed on municipalities with receipts/bonds in excess of $275,000, but not more than $500,000. The Board of Cowley County Rural Water District #1 is responsible for the above-identified subject matter.

Cowley County Rural Water District #1 has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose which is to show compliance with the internal policies and procedures and laws and regulations as required by Kansas State statutes, relating to its fiscal operations. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

Our procedures and associated findings are as follows:

Procedure One: Tie the municipality's total cash per books at year-end to source documents. This should include an examination of the bank reconciliation for the last month of the year to ensure it was reconciled.

Findings: No exceptions were found as a result of applying the procedure.

Procedure Two: Reconcile the year-end cash balance as shown on the Statement of Cash Receipts and Cash Disbursements to: 1) demand deposits at the Municipality's official depository, 2) time deposits at the Municipality's official depository, 3) investments in U.S. Treasury bills; and other cash/investment accounts.

Findings: No exceptions were found as a result of applying the procedure.

Procedure Three: Using the last bank statement of the year, compare total deposits in excess of FDIC insurance to securities pledged to secure the excess deposits, as evidenced by joint custody receipts.

Findings: No exceptions were found as a result of applying the procedure.

Procedure Four: For the last bank statement of the year, compare the name of the depository institution to an entry in the official minutes that designates the institution as the Municipality's official depository.

Findings: No exceptions were found as a result of applying the procedures.

Procedure Five: For a minimum of two months (to be selected by certified public accountant) trace any interest income from the bank statement to the municipality's cash receipts records.

Findings: No exceptions were found as a result of applying the procedures.

Procedure Six: For a minimum of two separate months (to be selected by the certified public accountant), trace non-mail cash receipts from the receipt book to the bookkeeping records to determine if the receipts were properly recorded. Also, for the same two months, trace bookkeeping entries for cash receipts to the bank statement to assess whether receipts are deposited intact and on a timely basis.

Findings: No exceptions were found as a result of applying the procedure.

Procedure Seven: For approximately ten percent of the non-payroll cash disbursements (to be selected by the certified public accountant), trace disbursements from the bookkeeping records to the related invoice, bank statement, and canceled check.

Findings: No exceptions were found as a result of applying the procedure.

Procedure Eight: For a minimum of one month (to be selected by the certified public accountant) compare the disbursements as recorded in the check register to an entry in the official minutes that approve the disbursements.

Findings: No exceptions were found as a result of applying the procedure.

Procedure Nine: Examine evidence of encumbrances and accounts payable and determine if they have been properly stated in the financial statements as of the end of the year. Evidence of encumbrances would include unpaid purchase orders and contracts. Evidence of accounts payable would include unpaid invoices and receiving reports.

Findings: No exceptions were found as a result of applying the procedure.

Procedure Ten: For a minimum of two months (to be selected by the certified public accountant), verify that all credit cards are issued solely in the municipality's name and that credit card transactions comply with internal policies, including proper authorization and accurate expenditure classification.

Findings: No exceptions were found as a result of applying the procedure.

Procedure Eleven: Examine payroll for a minimum of one month (to be selected by certified public accountant) to determine that deductions agree with employee elections and that payroll withholdings and taxes are accurately remitted.

Findings: No exceptions were found as a result of applying the procedure.

Procedure Twelve: For the last month of the year, examine the payroll records for each employee to determine if a deduction for KPERS (Kansas Public Employees Retirement System) was made.

Findings: No exceptions were found as a result of applying the procedure. The entity does not participate in KPERS.

Procedure Thirteen: Compare the following items in the current financial statement to the same items in the prior year financial statement to determine if there is a variance of more than 25 percent per fund: 1) total cash receipts, 2) total cash disbursements, 3) encumbrances and accounts payable, and 4) ending unencumbered cash balance. For variances larger than 25 percent, examine the variance, then document and report on the reason.

Findings: No exceptions were found as a result of applying the procedure.

Procedure Fourteen: For a minimum of two months (to be selected by the certified public accountant), examine the Municipality's month-end statement of cash receipts and cash disbursements to determine that the ending unencumbered cash balance is greater than or equal to zero.

Findings: No exceptions were found as a result of applying the procedure.

Procedure Fifteen: For a minimum of two months (to be selected by the certified public accountant), obtain the official minutes and determine that the minutes have been signed by the chairperson of the board of directors.

Findings: No exceptions were found as a result of applying the procedure.

Procedure Sixteen: Examine the Municipality’s surety (fidelity) bonds to determine that all employees and officers entrusted with funds or property are covered by such a bond.

Findings: No exceptions were found as a result of applying the procedure.

Procedure Seventeen: Obtain the General and Entity Specific Checklists and complete procedures to determine that the entity is in compliance with applicable statutes.

Findings: No exceptions were found as a result of applying the procedure.

We were engaged by Cowley County Rural Water District #1 to perform this agreed-upon procedures engagement and we conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on Cowley County Rural Water District #1's compliance with the internal policies and procedures and laws and regulations as required by Kansas State statutes, relating to its fiscal operations managed by the Board of Directors for the year ended December 31, 2025. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Cowley County Rural Water District #1 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement. This report is intended solely for the information and use of Cowley County Rural Water District #1, the State of Kansas, board of directors and management and is not intended to be and should not be used by anyone other than the specified parties.

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