JEFFERSON COUNTY RURAL WATER DISTRICT NO. 7

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

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

JEFFERSON COUNTY RURAL WATER DISTRICT NO. 7

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rural Water District No. 7, Jefferson County, Kansas
Oskaloosa, KS

Opinion

We have audited the accompanying financial statements of Jefferson County Rural Water District No. 7, which comprise the statements 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. 7 as of December 31, 2024 and 2023, and the changes in net position and its cash flows for the years then 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. 7 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. 7's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

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 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, 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 Jefferson County Water District No. 7'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 Jefferson County Water District No. 7'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. 7 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
June 9, 2025

JEFFERSON COUNTY RURAL WATER DISTRICT NO. 7
STATEMENTS OF NET POSITION
For the Years Ended

Assets

	December 31 2024	2023
Current assets		
Cash and cash equivalents	$ 317,360	$ 67,201
Certificates of Deposit	2,303,458	2,253,699
Accounts receivable	10,203	9,154
Prepaid expense	9,912	9,912
Total current assets	2,640,933	2,339,966
Non-current assets		
Property and equipment, net	1,042,324	1,011,101
Total assets	$ 3,683,257	$ 3,351,067

Liabilities and Net Position

	December 31 2024	2023
Current liabilities		
Accounts payable	$ 7,441	$ 16,593
Deferred revenue	795	1,663
Customer deposits	1,795	5,570
Total current liabilities	10,031	23,826
Net position		
Invested in capital assets	1,042,324	1,011,101
Unrestricted	2,630,902	2,316,140
Total net position	3,673,226	3,327,241
Total liabilities and net position	$ 3,683,257	$ 3,351,067

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

JEFFERSON COUNTY RURAL WATER DISTRICT NO. 7
STATEMENTS OF ACTIVITIES AND CHANGES IN NET POSITION
For the Years Ended

	December 31 2024	December 31 2023
Revenues		
Water sales	$ 531,246	$ 540,857
Total operating revenues	531,246	540,857
Operating expenses		
Depreciation	150,266	124,815
Payroll	196,590	189,722
Payroll taxes	15,390	14,611
Repairs and maintenance	40,327	32,333
Materials	4,065	4,691
Insurance	28,578	28,711
Utilities	46,798	48,061
Office expense	11,047	12,353
Telephone	8,570	8,354
Taxes and licenses	3,513	5,393
Professional fees	8,252	8,331
Dues and subscriptions	705	696
Software service charge	7,611	6,975
Miscellaneous	2,550	1,467
Total operating expenses	524,262	486,513
Income (loss) from operations	6,984	54,344
Non-operating revenues (expense)		
Interest income	50,076	29,922
Reimbursed expenses	244,925	-
Total non-operating revenues (expense)	295,001	29,922
Net income (loss) before contributions	301,985	84,266
Capital contributions		
Benefit units sold	44,000	53,000
Total capital contributions	44,000	53,000
Change in net assets	345,985	137,266
Net position - beginning of year	3,327,241	3,189,975
Net position - end of year	$ 3,673,226	$ 3,327,241

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

JEFFERSON COUNTY RURAL WATER DISTRICT NO. 7
STATEMENTS OF CASH FLOWS
For the Years Ended

	December 31 2024	2023
Cash flows from (used in) operating activities:		
Cash receipts from customer and reimbursements for services	$ 530,196	$ 546,960
Interest income	50,076	29,922
Reimbursed expenses	244,925	-
Cash payments for goods and services	(175,810)	(153,235)
Cash payments to employees for services	(211,980)	(204,333)
Net cash from (used in) operating activities	437,407	219,314
Cash flows from (used in) investing activities:		
Purchase of capital assets	(181,489)	(358,313)
Net cash from (used in) investing activities	(181,489)	(358,313)
Cash flows from (used in) financing activities:		
Proceeds from sale of benefit units	44,000	53,000
Net cash from (used in) financing activities	44,000	53,000
Net increase (decrease) in cash and cash equivalents	299,918	(85,999)
Cash, cash equivalents, and other cash:		
Beginning of year	2,320,900	2,406,899
End of year	$ 2,620,818	$ 2,320,900
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	$ 6,984	$ 54,344
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	150,266	124,815
Interest income	50,076	29,922
Changes in assets and liabilities		
Reimbursed expenses	244,925	-
Accounts receivable	(1,049)	6,103
Prepaid expenses	-	(1,317)
Accounts payable	(9,152)	501
Deferred revenue	(868)	1,663
Accrued expenses	(3,775)	3,283
Net cash provided by operating activities	$ 437,407	$ 219,314

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

1. Organization and Significant Accounting Policies

Organization

The Rural Water District No. 7, Jefferson County, Kansas (the District) is a water utility that provides service to approximately 650 customers. The District was organized as a quasi-municipal corporation to acquire water and water rights and to build and acquire pipelines for the purpose of furnishing water to owners and occupants of land located within the District.

GASB Statement No. 34

In June 1999, GASB issued Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. The statement known as the "Reporting Model" statement, affects the way the District prepares and presents information.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments, including special purpose governments. The statement was developed to make annual reports easier to understand and more useful to the people who use governmental information to make decisions.

Basis of Accounting

The financial statements of the District are prepared using the accrual method of accounting. Accordingly, income is recorded as earned and expenses are charged as incurred, regardless of the timing of payments.

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 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 funds held in any checking account to be part of cash and cash equivalents.

Accounts Receivable

Accounts receivable consist of current and past due water usage charges and other charges for late fees. The accounts receivable balance at December 31, 2024 and 2023 is $10,203 and $9,154.

1. Organization and Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are recorded at cost. 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. 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. Depreciation on all assets is provided using the straight-line method over estimated useful as follows:

	Years
Meters	30
Distribution lines	10
Vehicles	5-7
Office building	39
Office equipment	10

Depreciation expense for the years ended December 31, 2024 and 2023 was $150,266 and $124,815.

Benefit Units

Benefit units are rights that entitle the holder to water service. Benefit units are presently sold for $5,500. Revenue from sold units for the years ended December 31, 2024 and 2023 was $44,000 and $53,000.

Net Position

The District's net position is classified as follows:

Invested in capital assets – This represents the District's total investment in capital assets, net of accumulated depreciation and reduced by any outstanding debt attributable to the acquisition, construction or improvements of those assets.

Unrestricted net position – This includes resources derived from sales and services. These resources are used for transactions relating to providing sales and services and general operations of the District and may be used at the discretion of the governing board to meet current expense for any purpose.

Operating Revenues and Expenses

Operating revenues and expenses for the proprietary fund result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

1. Organization and Significant Accounting Policies (continued)

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

Cash balances are comprised of demand deposits and certificates of deposit. As required by law, the depository banks are to pledge securities in addition to Federal Deposit Insurance Corporation (FDIC) insurance or obtain surety bonds to equal the amount on deposits at all times.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the district's deposits in excess of coverage may be lost. At December 31, 2024, the District's carrying amounts of deposits, including certificates of deposit, was $2,122,618, of which $801,399 was covered by FDIC insurance. $1,321,278 was collateralized by securities held in safekeeping pledged to the District. The District was not exposed to any credit risk as December 31, 2024.

At December 31, 2023, the District's carrying amounts of deposits, including certificates of deposit, was $2,320,900, of which $884,443 was covered by FDIC insurance. $1,436,457 was collateralized by securities held in safekeeping pledged to the District. The District was not exposed to any credit risk in the amount as December 31, 2023.

3. Property and Equipment

The following represents a summary of changes of property and equipment:

	2024	2023
Land	$ 72,417	$ 72,416
Vehicles	118,230	111,895
Equipment	425,511	412,510
Water lines and wells	3,491,582	3,329,431
Office equipment	9,830	9,830
Software	3,278	3,278
Total assets	4,120,848	3,939,360
Accumulated depreciation	(3,078,524)	(2,928,259)
Property and equipment, net	$ 1,042,324	$ 1,011,101

4. Compensated Absences

The District does not have a paid time off policy for employees, therefore, no accrual is required.

5. Risk Management

The Water District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Water District joined together with other entities in the State to participate in Employees Mutual Insurance Corp. (EMC), a public entity risk pool currently operating as a common risk management and insurance program for the participating members.

The Water District pays an annual premium to EMC for its insurance coverage. The agreement to participate provides that EMC will be self-sustaining through member premiums. Additional premiums may be due if total claims for the pool are different than what has been anticipated by EMC management.

6. Compliance with Kansas Statutes

Management is aware of no statutory violations for the period covered by the audit.

7. 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.

8. Cash, Cash Equivalents, and Other Cash

As of December 31, 2024 and 2023 cash, cash equivalents, and other cash consist of:

	2024	2023
Cash and cash equivalents	$ 317,360	$ 67,201
Certificates of deposit	2,303,458	2,253,699
Total cash, cash equivalents, and other cash shown in the statement of cash flows	$ 2,620,818	$ 2,320,900

9. Subsequent Event

Subsequent events were evaluated through the date of the audit report, which is the date the financial statements were available to be issued. No events were found requiring disclosure in these financial statements.

SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY RURAL WATER DISTRICT NO. 7
SCHEDULE OF INSURANCE COVERAGE
For the Year Ended December 31, 2024

Property Covered		Coverage	Expires
Commercial Property (2A03712)	$	11,323	04-16-25
General Liability (2D03712)		4,421	04-16-25
Commercial Auto (2E03712)		4,726	04-16-25
Workman's compensation (2H03712)		4,758	04-16-25
Crime Coverage (2F03712)		348	04-16-25
Equipment (2C03712)		347	04-16-25
Linebacker Coverage (2K03712)		1,996	04-16-25
Total Coverage	$	27,919	