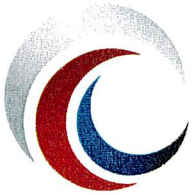
JEFFERSON COUNTY RURAL WATER DISTRICT NO. 3

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. 3

TABLE OF CONTENTS

Page

Independent Auditor's Report on Financial Statements 1

Financial Statements:

Statements of Net Position 4

Statements of Revenues, Expenses and Changes in Net Position 5

Statements of Cash Flows 6

Notes to Financial Statements 7

Supplementary Information:

Schedules of Insurance Coverage 12

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rural Water District No. 3, Jefferson County, Kansas
Valley Falls, KS

Opinion

We have audited the accompanying financial statements of the business-type activities of Jefferson County Rural Water District No. 3, which comprise the statement of net position as of and for the years ended December 31, 2024 and December 31, 2023, and the related notes to the financial statements, which collectively comprise Jefferson County Rural Water District No.3's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Jefferson County Rural Water District No. 3 as of December 31, 2024 and December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof 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 Rural Water District No. 3, 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 doubt about Jefferson County Water District No. 3'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 for the Audit of the Financial Statements

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 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 Rural Water District No. 3'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 Rural Water District No. 3'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.

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jefferson County Rural Water District No. 3's 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
March 3, 2025

JEFFERSON COUNTY RURAL WATER DISTRICT NO. 3
STATEMENTS OF NET POSITION
For the Years Ended

Assets

	December 31 2024	2023
Current assets		
Cash	$ 1,001,375	$ 918,481
Accounts receivable	21,898	43,337
Prepaid and other expenses	34,911	33,539
Inventory	89,538	76,167
Total current assets	1,147,722	1,071,524
Non-current assets		
Capital assets, net of accumulated depreciation	651,636	693,897
Total non-current assets	651,636	693,897
Total assets	$ 1,799,358	$ 1,765,421

Liabilities and Net Position

Current liabilities		
Accounts payable	$ 16,186	$ 37,768
Accrued expenses	910	962
Total current liabilities	17,096	38,730
Total liabilities	17,096	38,730
Net position		
Net investment in capital assets	651,636	693,897
Unrestricted	1,130,626	1,032,794
Total net position	1,782,262	1,726,691
Total liabilities and net position	$ 1,799,358	$ 1,765,421

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

JEFFERSON COUNTY 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	$ 348,162	$ 381,449
Miscellaneous	8,522	11,336
Total operating revenues	356,684	392,785
Operating expenses		
Analysis	607	948
Equipment Rental	640	-
Depreciation	73,077	74,077
Dues and subscriptions	834	827
Directors' fees	2,800	3,300
Insurance	8,703	7,809
Kansas One Call	259	830
Maintenance costs	170,811	199,418
Miscellaneous	299	572
Office supplies	1,970	2,831
Postage	6,215	5,241
Professional fees	49,202	48,556
Chemicals and supplies	10,891	8,409
Taxes and licenses	3,153	3,212
Software	4,768	3,545
Engineer fees	-	1,090
Telephone	1,740	1,080
Other	1,804	1,211
Utilities	23,920	22,479
Total operating expenses	361,693	385,435
Income (loss) from operations	(5,009)	7,350
Non-operating revenues (expense)		
Interest income	42,596	18,870
Total non-operating revenues (expense)	42,596	18,870
Net income (loss) before contributions	37,587	26,220
Capital contributions from members	17,984	48,308
Change in net position	55,571	74,528
Net position - beginning of year	1,726,691	1,652,163
Net position - end of year	$ 1,782,262	$ 1,726,691

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

JEFFERSON COUNTY RURAL WATER DISTRICT NO. 3
STATEMENTS OF CASH FLOWS
For the Years Ended

	December 31 2024	2023
Cash flows from operating activities:		
Cash received from customers	$ 378,122	$ 373,562
Cash paid to suppliers of goods or services	(324,993)	(316,391)
Net cash provided by operating activities	53,129	57,171
Cash flows from investing activities:		
Interest received	42,596	18,870
Purchase of capital assets	(30,815)	(49,571)
Net cash from investing activities	11,781	(30,701)
Cash flows from capital and related financing activities:		
Contributed capital	17,984	48,308
Net cash provided by (used in) capital and related financing activities	17,984	48,308
Net increase (decrease) in cash and cash equivalents	82,894	74,778
Cash and cash equivalents:		
Beginning of year	918,481	843,703
End of year	$ 1,001,375	$ 918,481
Reconciliation of operating income (loss) to net cash provided (used in) operating activities		
Net income (loss)	$ (5,009)	$ 7,350
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense	73,077	74,077
Changes in certain assets & liabilities		
Decrease (increase)		
Accounts receivable	21,438	(19,223)
Prepaid and other expenses	(1,372)	(633)
Inventory	(13,371)	(24,284)
Increase (Decrease)		
Accounts payable	(21,582)	19,801
Accrued expenses	(52)	83
Net cash provided by (used in) operating activities	$ 53,129	$ 57,171

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

1. Organization and Significant Accounting Policies

Organization

Rural Water District No. 3, Jefferson County (the District) was organized under Kansas law in 1965 and completed in 1967 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.

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.

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.

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 demand deposits and certificates of deposit.

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.

Benefit Units

Benefit units are rights that entitle the holder to water service. Benefit units are presently sold for $3,010 per meter. The benefit units in service on December 31, 2024 and 2023 was 844 and 840.

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.

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.

1. Organization and Significant Accounting Policies (continued)

Income Taxes

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.

Budget

The District prepares its budget for the fiscal year using the same basis of accounting as the financial statements. A comparison of actual to budget is not presented in these financial statements.

2. Deposits and Investments

Deposits

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 country 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.

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 and 2023.

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.

4. Prepaid and Other Expenses

Prepaid and other expenses for the years ended December 31, consist of the following:

	2024	2023
Deposits	$ 187	$ 492
Prepaid insurance	8,256	7,208
Capital credits	26,468	25,839
Total prepaid and other expenses	$ 34,911	$ 33,539

5. Property and Equipment

Capital asset activity for the years ending December 31:

	2024	2023
Land	$ 35,573	$ 35,573
Plant and Lines	2,261,790	2,243,474
Building	30,386	30,386
Office Equipment	12,500	-
Total assets	2,340,249	2,309,433
Accumulated depreciation	(1,688,613)	(1,615,536)
Property and equipment, net	$ 651,636	$ 693,897

Depreciation expense was $73,077 and $74,077 for the years ended December 31, 2024 and 2023.

6. Water Supply Agreement

The district entered into a Wholesale Water Purchase Agreement with Rural Water District No. 11, Jefferson County on October 14, 2019. The first delivery started in September 2020. In addition, the District entered into a Public Utility Agreement with the City of Ozawkie as a new water supply source. Purchases by the City of Ozawkie commenced in January 2021.

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. 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.

10. Cash and Cash Equivalents

Cash and cash equivalents consist of the following for the years ended December 31:

	2024	2023
Checking	$ 85,129	$ 64,792
Certificates of deposit	916,246	853,689
Total cash and cash equivalents	$ 1,001,375	$ 918,481

11. 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. 3
SCHEDULE OF INSURANCE COVERAGE
For the Year Ended December 31, 2024

The District insurance policy is provided by EMC insurance, with a premium of $9,396 and covers the period November 8, 2024 to November 8, 2025.

		Coverage
Buildings and personal property	$	794,821
General Liability		1,000,000 / 2,000,000
Linebacker		1,000,000
Auto Liability		1,000,000
Public Officials Liability		1,000,000

JEFFERSON COUNTY RURAL WATER DISTRICT NO. 3
SCHEDULE OF INSURANCE COVERAGE
For the Year Ended December 31, 2023

The District insurance policy is provided by EMC insurance, with a premium of $8,177 and covers the period November 8, 2023 to November 8, 2024.

		Coverage
Buildings and personal property	$	716,319
General Liability		1,000,000 / 2,000,000
Linebacker		1,000,000
Auto Liability		1,000,000
Public Officials Liability		1,000,000