Willow Springs Fire District #3

FINANCIAL STATEMENTS

Year ended December 31, 2025

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Willow Springs Fire District #3

Financial Statements
Year ended December 31, 2025

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Willow Springs Fire District #3
Baldwin City, Kansas

Adverse and Unmodified Opinions

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Willow Springs Fire District #3, Baldwin City, Kansas, as of and for the year ended December 31, 2025 and the related notes to the financial statement.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis of Adverse and Unmodified Opinions" section of our report, the accompanying financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2025, or the changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the District as of December 31, 2025, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), and the *Kansas Municipal Audit and Accounting Guide*. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statement" section of our report. We are required to be independent of the District, and to meet our other 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 adverse and unmodified opinions.

Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the financial statement is prepared by the District on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, 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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is 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 GAAS 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 statement.

In performing an audit in accordance with GAAS, we:

- 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 our 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.

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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget and individual fund schedules of regulatory basis receipts and expenditures-actual (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however, are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, 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 basic financial statement as a whole, on the basis of accounting described in Note 1.

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

September 22, 2026

WILLOW SPRINGS FIRE DISTRICT #3
Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2025

Funds	Beginning Unencumbered Cash Balance	Prior Period Adjustment	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
General Funds:							
General	$ 224,396	$ -	$ 280,523	$ 203,671	$ 301,248	$ -	$ 301,248
Total Reporting Entity	$ 224,396	$ -	$ 280,523	$ 203,671	$ 301,248	$ -	$ 301,248

COMPOSITION OF CASH:	
Checking	$ 14,044
Money market	183,465
Certificates of deposit	103,739
Total Reporting Entity	$ 301,248

The notes to the financial statements are an integral part of this statement.

WILLOW SPRINGS FIRE DISTRICT #3
Notes to the Financial Statements
December 31, 2025

NOTE 1 - Summary of Significant Accounting Policies

Municipal Financial Reporting Entity

The Willow Springs Fire District #3, Baldwin City, Kansas, is a municipal corporation governed by a five-member board. The District has two stations to serve the public. The District receives funding through Douglas County, Kansas and is a related municipal entity of the County. These financial statements present the District (the primary government) and exclude its related municipal entities of which the District is considered to be financially accountable. The District has no related municipal entities.

Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The *Kansas Municipal Audit and Accounting Guide* (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the District to use the regulatory basis of accounting.

Regulatory Basis Fund Types

The following types of funds comprise the financial activities of the District for the year ended December 31, 2025:

General Fund - the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

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 is established by the District and is presented in these financial statements for management use only. Expenditures are controlled by internal spending limits monitored by the board of directors.

NOTE 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 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.

Investments. 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 City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2025.

As of December 31, 2025, the District's carrying amount of deposits was $301,248 and the bank balance was $304,972. The bank balance was held by one bank, resulting in a concentration of credit risk. The entire bank balance was covered by federal depository insurance.

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 - Long-Term Debt

The following table details the changes in the District's long-term debt during the year:

Type of Issue	Beginning Principal Outstanding	Additions to Principal	Reductions of Principal	Ending Principal Outstanding	Interest Paid
General Obligation Bonds	$ 1,005,000	$ -	$ 20,000	$ 985,000	$ 43,316
Total	$ 1,005,000	$ -	$ 20,000	$ 985,000	$ 43,316

Long-term debt of the District consists of the following as of December 31, 2025:

Purpose	Date Issued	Final Maturity	Interest Rate	Original Amount	Balance December 31, 2025
Series 2021 GO Refunding Bonds	4/1/2022	10/1/2051	4.31%	$1,060,000	$ 985,000

NOTE 3 - Long-Term Debt (Continued)

Future general obligation bond maturities as of December 31, 2025 are as follows:

Year Ending December 31,	Principal	Interest	Total
2026	$ 21,000	$ 42,454	$ 63,454
2027	22,000	41,548	63,548
2028	23,000	40,600	63,600
2029	24,000	39,609	63,609
2030	25,000	38,575	63,575
2031-2035	143,000	175,719	318,719
2036-2040	176,000	142,144	318,144
2041-2045	219,000	100,639	319,639
2046-2050	271,000	49,134	320,134
2051	61,000	2,629	63,629
Total	$ 985,000	$ 673,050	$ 1,658,050

NOTE 4 - Risk Management

The 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 for which the District carries commercial insurance. No significant reductions in insurance coverage from that of the prior year have occurred. Settlements have not exceeded insurance coverage for each of the last three years.

WILLOW SPRINGS FIRE DISTRICT #3
Summary of Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year Budget	Variance Over [Under]
General Funds:					
General	$ 561,343	$ -	$ 561,343	$ 203,671	$ [357,672]

WILLOW SPRINGS FIRE DISTRICT #3
General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025

	Actual	Budget	Variance Over [Under]
Receipts			
Property taxes	$ 263,041	$ 260,510	$ 2,531
Miscellaneous	1,425	-	-
Interest income	9,142	-	9,142
Fire call reimbursement	6,915	-	6,915
Total Receipts	280,523	$ 260,510	$ 18,588
Expenditures			
Utilities	11,639	$ 11,636	$ 3
Salaries and wages	24,035	25,800	[1,765]
Bond principal and interest	43,316	42,453	863
Fuel	2,066	2,800	[734]
Insurance	14,034	16,100	[2,066]
Office expenses	8,236	13,970	[5,734]
Maintenance and testing	19,586	32,100	[12,514]
Building maintenance	20,749	8,800	11,949
Training	3,099	4,950	[1,851]
Capital outlay	20,000	21,000	[1,000]
Equipment purchases	36,911	81,734	[44,823]
Cash reserve	-	300,000	[300,000]
Total Expenditures	203,671	$ 561,343	$ [357,672]
Receipts Over [Under] Expenditures	76,852		
Unencumbered Cash, Beginning	224,396		
Unencumbered Cash, Ending	$ 301,248		