CONSOLIDATED RURAL WATER DISTRICT NO. 3

FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 & 2022

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

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Coffman &
Schmidtlein
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Consolidated Rural Water District No. 3
Topeka, KS 66610

Opinion

We have audited the accompanying financial statements of Consolidated Rural Water District No. 3, which comprise the statements of net position as of December 31, 2023 and 2022, 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 Consolidated Rural Water District No. 3 as of December 31, 2023 and 2022, 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 Consolidated 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 about Consolidated Rural Water District No. 3'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 Consolidated 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 Consolidated 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.

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 Consolidated Rural Water District No. 3 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.

Cummins, Coffman & Schmidtlein, CPA's, P.A.
Topeka, Kansas
March 29, 2024

CONSOLIDATED RURAL WATER DISTRICT NO. 3
STATEMENT OF NET POSITION
For the Years Ended

Assets

	December 31 2023	December 31 2022
Current assets:		
Cash and cash equivalents	$ 394,208	$ 225,240
Certificates of deposit	1,842,360	2,026,344
Accounts receivable	198,408	193,163
Inventory	63,626	76,788
Prepaid expense	-	39,016
Total current assets	2,498,602	2,560,551
Noncurrent assets:		
Property and equipment, net	3,025,601	3,159,310
Total noncurrent assets	3,025,601	3,159,310
Total assets	$ 5,524,203	$ 5,719,861

Liabilities and Net Position

	December 31 2023	December 31 2022
Current liabilities:		
Accounts payable	$ 68,366	$ 53,894
Other liabilities	4,736	4,227
Current maturity of long term debt	-	70,671
Total current liabilities	73,102	128,792
Noncurrent liabilities:		
Long term debt, net of current maturities	-	83,097
Total noncurrent liabilities	-	83,097
Total liabilities	73,102	211,889
Net position:		
Invested in capital assets, net of related debt	3,025,601	3,005,542
Unrestricted	2,425,500	2,502,430
Total net position	5,451,101	5,507,972
Total liabilities and net position	$ 5,524,203	$ 5,719,861

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

CONSOLIDATED RURAL WATER DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended

	December 31 2023	2022
Revenues:		
Water sales	$ 1,327,165	$ 1,199,636
City of Topeka water sales	79,121	68,076
Water sales RWD #8	574,726	451,885
Total operating revenues	1,981,012	1,719,597
Operating expenses:		
Water purchases	1,369,927	1,069,725
Payroll and payroll taxes	241,896	241,093
Employee pension and benefits	49,836	47,136
Office supplies and postage	45,960	29,812
Insurance	77,672	30,816
Professional fees	17,545	10,860
Depreciation and amortization	141,680	149,254
Engineering	6,617	9,030
Water taxes	3,303	4,375
Repairs	109,095	74,556
Board member expense	6,000	6,550
Utilities and telephone	32,287	34,598
Miscellaneous	2,104	1,997
Total operating expenses	2,103,922	1,709,802
Income (loss) from operations	(122,910)	9,795
Non-operating revenues (expense):		
Interest income	33,829	9,198
Gain on sale of assets	-	-
Other fees	23,788	23,532
Penalties / late charges	1,525	-
Interest expense	(4,103)	(9,280)
Total non-operating revenues (expense)	55,039	23,450
Net income (loss) before contributions:	(67,871)	33,245
Capital contributions:		
Benefit units sold	5,200	9,500
Contributions in aide of construction	5,800	10,340
Total capital contributions	11,000	19,840
Change in net assets	(56,871)	53,085
Net position - beginning of year	5,507,972	5,454,887
Net position - end of year	$ 5,451,101	$ 5,507,972

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

CONSOLIDATED RURAL WATER DISTRICT NO. 3
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023

	December 31 2023	December 31 2022
Cash flows from (used in) operating activities:		
Receipts from customer	$ 1,975,768	$ 1,664,573
Receipts from other revenues	59,142	9,196
Payments to suppliers for goods and services	(1,653,188)	(1,286,687)
Payments to employees for services	(241,896)	(241,093)
Payments for interest expense	(4,103)	9,280
Net cash from (used in) operating activities	135,723	155,269
Cash flows from (used in) investing activities:		
Invested in certificates of deposit	183,984	(344,803)
Sale of fixed assets	-	-
Purchase of capital assets	(7,971)	(8,000)
Net cash from (used in) investing activities	176,013	(352,803)
Cash flows from (used in) financing activities:		
Payment of debt	(153,768)	(60,021)
Proceeds from sale of benefit units	5,800	9,500
Contributions in aid of construction	5,200	10,340
Net cash from (used in) financing activities	(142,768)	(40,181)
Net increase (decrease) in cash and cash equivalents	168,968	(237,715)
Cash at beginning of year	225,240	462,955
Cash at end of year	$ 394,208	$ 225,240
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	$ (67,869)	$ 33,245
Adjustments		
Depreciation	141,680	149,254
Amortization from debt issuance costs	-	-
Gain loss on sale of asset	-	-
Changes in assets and liabilities		
Accounts receivable	(5,245)	(54,023)
Inventory	13,162	(15,173)
Prepaid expenses	39,016	(3,309)
Accounts payable	14,471	45,049
Accrued interest	508	226
Net cash provided by operating activities	$ 135,723	$ 155,269

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

1. Organization and Significant Accounting Policies

Organization

Consolidated Rural Water District No. 3, Shawnee Count, Kansas (the District) was organized under Kansas law and is accounted for as an enterprise fund using the accrual basis of accounting. The District's purpose and objective is to acquire water and water rights, to build and acquire pipelines and for the purpose of furnishing water for domestic, agriculture, and/or other purposes. The District provides services to patrons in Shawnee County.

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.

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 the financial statements.

Use of Estimates

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

Cash and Cash Equivalents

For the purpose of the statement of cash flows, 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 petty cash, money market, and cash in bank accounts as cash and cash equivalents.

Certificates of Deposit

The certificates of deposit represent nonnegotiable certificates of deposit. The Certificates of Deposit are recorded at cost because they are not affected by market rate changes.

Accounts Receivable

The District reads meters during the week of the 20th each month and the invoices are mailed out on the 1st of each month. Payments for water service are due the 20th day of the following month or will be subject to a late charge of 6% The District considers all accounts collectable.

1. Organization and Significant Accounting Policies (continued)

Inventory

Inventories consist of primarily water meters, pipe, and line maintenance material. Inventories are stated at the lower cost or market. Cost is determined using the first in first out (FIFO) method.

Property, Plant and Equipment

Property, plant 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. Depreciation is computed using the straight-line method over the estimated 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 does not have a formal capitalization policy. Depreciation and amortization expense totaled $141,680 and $149,254 for the years ended December 31, 2023 and 2022.

Depreciation methods, and estimated useful lives of capital assets are as follows:

Meters	Straight Line	40 years
Shop equipment	Straight Line	3 – 10 years
Office equipment	Straight Line	3 – 10 years
Purification	Straight Line	10 - 20 years
Furniture & fixtures	Straight Line	3 – 10 years
Connection fee	Straight Line	40 years

Bond Reserve

As part of the Water Utility System Revenue Bonds, Series 2012, the District is required to maintain a bond reserve amount equal to 10% of the original principal amount.

Benefit Units

Benefit units are rights that entitle the holder to water service. Benefit units for ¾" are presently sold for $2,500 and installation fees of $2,000 plus an additional $1,200 if a road bore is required. The cost of 1" benefit units was increased to $3,200 during the September 2014 meeting.

Aid in Construction

Aid in Construction represents contributions from the members for line extensions, and are included in the statement of activities.

1. Organization and Significant Accounting Policies (continued)

Net Position

The District's net position is classified as follows:

Invested in capital assets, net of accumulated depreciation – This represents the District's total investment in capital assets, net of accumulated depreciation.

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 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.

2. Deposits and CDs

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 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 investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fun 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 limits 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 K.S.A. 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, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 32, 2023.

2. Deposits and CDs (continued)

Custodial Credit Risk – Deposits (continued)

At December 31, 2023, the District's carrying amounts of deposits, including certificates of deposit, was $2,236,568, of which $750,000 was covered by FDIC insurance. $1,794,204, was collateralized by securities held in safekeeping pledged to the District. The District was not exposed to any credit risk as of December 31, 2023.

At December 31, 2022, the District's carrying amounts of deposits, including certificates of deposit, was $2,251,084, of which $750,000 was covered by FDIC insurance. $1,409,237, was collateralized by securities held in safekeeping pledged to the District as well as $101,231 in CDARS. The District was not exposed to any credit risk as of December 31, 2022.

3. Concentrations of Suppliers and Customers

The District acquires 100% of its water from the City of Topeka, Kansas. There are no other suppliers of water available for this district.

The District has a contract dated March 29, 1982 with Rural Water District #8, Osage County, Kansas for the delivery and selling of water supply to Rural Water District #8. The term of the contract is for 40 years from the date of initial delivery of any water. In 2023, the District sold 72,969,075 gallons of water which accounted for 41% of the gallons sold. In 2022, the District sold 65,872,394 gallons of water which accounted for 36% of the gallons sold.

4. Property and Equipment

The following represents property, plant, and equipment of the District:

	2023	2022
Land	$ 34,579	$ 34,579
Distribution system	5,641,179	5,633,208
Building	589,616	589,616
Office equipment	24,308	24,308
Shop equipment	355,767	355,767
Connection fee	874,224	874,224
Total assets	7,519,673	7,511,702
Accumulated depreciation	(4,494,072)	(4,352,392)
Property and equipment, net	$ 3,025,601	$ 3,159,310

4. Property and Equipment (continued)

The following represents a roll-forward of property, plant, and equipment of the District:

	Beginning Balance	Additions	Dispositions	Ending Balance
Land	$ 34,579	$ -	$ -	$ 34,579
Distribution system	5,633,208	7,971	-	5,641,179
Building	589,616	-	-	589,616
Office equipment	24,308	-	-	24,308
Shop equipment	355,767	-	-	355,767
Connection fee	874,224	-	-	874,224
	$ 7,511,702	$ 7,971	$ -	$ 7,519,673

5. Pension Plan

The District has a Savings Incentive Match Plan for Employees (SIMPLE) whereby, the eligible employees defer 5% of their compensation and the District contributes 3%. All contributions made under the SIMPLE plan are fully vested and non-forfeitable. For the years ended December 31, 2023 and 2022, the District contributed $6,509 and $6,526 to the SIMPLE plan, respectively.

6. Compensated Absences

For each employee of the District will earn paid for each year of continuous employment as follows:

After 1 year	One week (40 hours) each year
After 2 years	Two weeks (80 hours) each year
After 5 years	Three weeks (120 hours) each year

A full year of continuous employment means that as of your anniversary date each year, you have completed at least continuous calendar months of employment. Vacation days may be accumulated up to a minimum of 20 days (160 hours).

Unused vacation will be paid provided the district receives a minimum of two weeks' notice of termination of employment from the employee. Each employee of the district shall accumulate 1 day (8 hours) of sick leave per month beginning the first full month of employment. Sick leave benefits may be accumulated up to a maximum of 30 days (240 hours). Once the maximum amount of sick days has been accumulated by the employee no further days may be accrued. Sick leave benefits may also be used for medical related conditions such as immediate family members shall include your spouse, children, employee's parents, and employees spouse's parents.

7. Contracts

In August 1980, Rural Water District No. 6, Shawnee County, Kansas entered into an agreement with the City of Topeka, Kansas (City) to purchase water. As part of the agreement, the District paid the City $794,700 as a connection charge. The agreement is for a forty year period.

In June 1991, Rural Water District No. 7, Shawnee County, Kansas entered into an agreement with the City of Topeka, Kansas (City) to purchase water. As part of the agreement, the District paid the City $69,500 as a connection charge. The City will provide water not to exceed 250 gallons per minute

In August 2005, the City of Topeka entered into an agreement with Consolidated Rural Water District No. 3, Shawnee County, Kansas to continue to provide water under the above contracts.

In 2023 the District purchased 173,628,264 gallons of water at a rate of $7.89 per thousand gallons. In 2022 the District purchased 155,936,589 gallons of water at a rate of $6.86 per thousand gallons.

8. Other Contracts

In August 1998, the District entered into a lease agreement with APT Kansas City, Inc. d/b/a T-Mobile (APT) for the purpose of leasing tank space for their telecommunication antennas. The lease term is for 5 years with an additional 5 year option periods. APT paid the District $175 and $3,935 in lease payments in 2023 and 2022, which is included with “Other Fees” on the Statement of Revenues, Expenses and Changes in Net Position.

In July 2016, the District entered into a lease agreement with Mercury Wireless Kansas, LLC for the purpose of leasing tank space for their telecommunication antennas. The lease term is for 5 years. Mercury Wireless paid the District $7,200 and $1,800 in lease payments in 2023 and 2022, which is included with “Other Fees” on the Statement of Revenues, Expenses and Changes in Net Position.

9. Long Term Debt

During 2009, the District entered into an agreement with Silver Lake Bank for a closed ended credit facility of up to $1,000,000 ($213,789 outstanding at December 31, 2021). In February 2010, the construction loan was converted into a 15 year term loan. The loan matures in June 2023, and has an interest rate of 1% above prime, with a floor of 5%. The proceeds of the loan were used for the construction of a 500,000 gallon water tower and line improvements.

The portion of the debt schedule below related to the variable rate loan includes the current amortized interest. The interest rate is subject to change, per the loan agreement. As of April 11, 2023 the loan balance was paid in full.

Long term debt transactions were as follows:

	Balance	Additions	Retirements	Balance
Construction Loan	153,768	-	(153,768)	-
	$ 153,768	$ -	$ (153,768)	$ -

10. Risk Management

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from prior years and settlements have not exceeded coverage in the past three years. See Schedule of Insurance in Force for details of insurance.

11. Compliance with Kansas Statutes

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

12. Tax Exempt Status

Consolidated Rural Water District no. 3, Shawnee County, 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.

13. Subsequent Events

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

CONSOLIDATED RURAL WATER DISTRICT NO. 3
SCHEDULE OF INSURANCE COVERAGE AND FIDELITY BONDS
For the Year Ended December 31, 2023

Property Covered	Coverage	Expires
Commercial Property:		1/1/2024
Building and personal property	1,243,769	
Water tower and equipment	3,575,221	
General Liability:		1/1/2024
Aggregate Limit-	2,000,000	
products/completed operations		
other than products/completed ops	2,000,000	
Personal and advertising injury	1,000,000	
Damages to the premises	300,000	
Medical expense (per person)	5,000	
Commercial Auto:		1/1/2024
Liability insurance (per loss)	500,000	
Uninsured motorist	500,000	
Workman's compensation:		1/1/2024
Bodily injury by accident	500,000	
Bodily injury by disease (per employee)	500,000	
Bodily injury by disease (policy limit)	500,000	
Public Employee Dishonesty:		1/1/2024
Per loss	200,000	
Inland Marine		1/1/2024
Miscellaneous property	1,376,455	
Linebacker Coverage		4/8/2024
Each loss	1,000,000	
Aggregate	2,000,000	
Cybersolutions Coverage		1/1/2024
Aggregate	614,000	

CONSOLIDATED RURAL WATER DISTRICT NO. 3
SCHEDULE OF INSURANCE COVERAGE AND FIDELITY BONDS
For the Year Ended December 31, 2022

Property Covered	Coverage	Expires
Commercial Property:		1/1/2023
Building and personal property	1,119,992	
Water tower and equipment	3,238,693	
General Liability:		1/1/2023
Aggregate Limit-	2,000,000	
products/completed operations other than products/completed ops	2,000,000	
Personal and advertising injury	1,000,000	
Damages to the premises	300,000	
Medical expense (per person)	5,000	
Commercial Auto:		1/1/2023
Liability insurance (per loss)	500,000	
Uninsured motorist	500,000	
Workman's compensation:		1/1/2023
Bodily injury by accident	500,000	
Bodily injury by disease (per employee)	500,000	
Bodily injury by disease (policy limit)	500,000	
Public Employee Dishonesty:		1/1/2023
Per loss	2,000,000	
Inland Marine		1/1/2023
Miscellaneous property	192,872	
Linebacker Coverage		4/8/2023
Each loss	1,000,000	
Aggregate	2,000,000	
Cybersolutions Coverage		1/1/2023
Aggregate	614,000	