JEFFERSON COUNTY RURAL WATER DISTRICT NO. 7
PROJECT NO. 102-11069

FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT
YEARS ENDED DECEMBER 31, 2022 & 2021

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

JEFFERSON COUNTY RURAL WATER DISTRICT NO. 7

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:

Schedule of Insurance Coverage 12

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

Terry Cummins, CPA
Diane Coffman, CPA
Greg Schmidtlein, CPA

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 statement of net position as of December 31, 2022 and 2021, 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, 2022 and 2021, 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
April 4, 2023

JEFFERSON COUNTY RURAL WATER DISTRICT NO. 7
STATEMENTS OF NET POSITION
For the years ended

Assets

	December 31 2022	December 31 2021
Current assets		
Cash and cash equivalents	$ 183,122	$ 296,922
Certificates of Deposit	2,223,777	2,184,649
Accounts receivable	15,257	8,844
Prepaid expense	8,595	6,776
Total current assets	2,430,751	2,497,191
Non-current assets		
Property and equipment, net	777,603	589,860
Total assets	$ 3,208,354	$ 3,087,051

Liabilities and Net Position

	December 31 2022	December 31 2021
Current liabilities		
Accounts payable	$ 16,092	$ 15,755
Customer deposits	2,287	730
Total current liabilities	18,379	16,485
Net position		
Invested in capital assets	777,603	589,860
Unrestricted	2,412,372	2,480,706
Total net position	3,189,975	3,070,566
Total liabilities and net position	$ 3,208,354	$ 3,087,051

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 2022	2021
Revenues		
Water sales	$ 488,903	$ 457,511
Other income	-	-
Total operating revenues	488,903	457,511
Operating expenses		
Depreciation	92,108	70,784
Payroll	176,630	214,215
Payroll taxes	13,818	16,869
Repairs and maintenance	42,315	24,600
Materials	6,080	4,645
Insurance	23,967	28,008
Utilities	53,687	46,200
Office expense	8,177	5,286
Telephone	8,098	7,812
Taxes and licenses	4,176	4,414
Professional fees	8,107	7,493
Dues and subscriptions	689	689
Software service charge	7,390	7,262
Miscellaneous	1,879	1,681
Total operating expenses	447,121	439,958
Income (loss) from operations	41,782	17,553
Non-operating revenues (expense)		
Interest income	39,127	31,238
Total non-operating revenues (expense)	39,127	31,238
Net income (loss) before contributions		
Capital contributions		
Benefit units sold	38,500	38,500
Total capital contributions	38,500	38,500
Change in net assets	119,409	87,291
Net position - beginning of year	3,070,566	2,983,275
Net position - end of year	$ 3,189,975	$ 3,070,566

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

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

	December 31 2022	2021
Cash flows from (used in) operating activities:		
Cash receipts from customer and reimbursements for services	$ 482,490	$ 471,637
Miscellaneous cash receipts		
Cash payments for goods and services	(164,490)	(138,840)
Cash payments to employees for services	(190,448)	(231,084)
Net cash from (used in) operating activities	127,552	101,713
Cash flows from (used in) investing activities:		
Net change in certificate of deposit	39,127	31,238
Net cash from (used in) investing activities	39,127	31,238
Cash flows from (used in) financing activities:		
Purchase of capital assets	(279,851)	(243,916)
Proceeds from sale of benefit units	38,500	38,500
Net cash from (used in) financing activities	(241,351)	(205,416)
Net increase (decrease) in cash and cash equivalents	(74,672)	(72,365)
Cash, cash equivalents, and other cash:		
Beginning of year	2,481,571	2,553,936
End of year	$ 2,406,899	$ 2,481,571
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	$ 41,782	$ 17,553
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	92,108	70,784
Changes in assets and liabilities		
Accounts receivable	(6,413)	14,125
Prepaid expenses	(1,819)	(335)
Accounts payable	337	(239)
Accrued expenses	1,557	(175)
Net cash provided by operating activities	$ 127,552	$ 101,713

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, 2022 and 2021 is $15,257 and $8,844.

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	7
Office building	39
Office equipment	10
Other equipment	10

Depreciation expense for the years ended December 31, 2022 and 2021 was $92,108 and $70,784.

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, 2022 and 2021 was $38,500.

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, 2022, the District's carrying amounts of deposits, including certificates of deposit, was $2,406,898, of which $1,244,319 was covered by FDIC insurance. $1,158,345 was collateralized by securities held in safekeeping pledged to the District. The District was exposed to credit risk in the amount of $4,234 at December 31, 2022.

At December 31, 2021, the District's carrying amounts of deposits, including certificates of deposit, was $2,481,571, of which $1,335,283 was covered by FDIC insurance. $1,132,415 was collateralized by securities held in safekeeping pledged to the District. The District was exposed to credit risk in the amount of $13,873 at December 31, 2021.

3. Property and Equipment

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

	2022	2021
Land	$ 42,600	$ 42,600
Vehicles	38,167	38,167
Equipment	382,771	340,531
Water lines and wells	3,104,401	2,866,790
Office equipment	9,830	9,830
Software	3,278	3,278
Total assets	3,581,047	3,301,196
Accumulated depreciation	(2,803,444)	(2,711,336)
Property and equipment, net	$ 777,603	$ 589,860

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, 2022 and 2021 cash, cash equivalents, and other cash consist of:

	2022	2021
Cash and cash equivalents	$ 183,122	$ 296,922
Certificates of deposit	2,223,777	2,184,649
Total cash, cash equivalents, and other cash shown in the statement of cash flows	$ 2,406,899	$ 2,481,571

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. The remaining credit risk held by First State Bank is now covered by pledged securities beginning March 7, 2023. No other 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, 2022

Property Covered	Coverage	Expires
Commercial Property:	100% Coinsurance	4/16/2023
Location 001 – Hwy 24 & 59	110,427	
Location 002 – ½ Mile W of Hwy 24 & 59	323,629	
Location 003 – 6 Miles S of Oskaloosa	695,500	
Location 004 – 14034 62nd St	1,199,739	
General Liability:		4/16/2023
Aggregate Limit-		
Each occurrence	500,000	
Products/completed operations	1,000,000	
Other than products/completed ops	1,000,000	
Personal and advertising injury	500,000	
Medical expense (per person)	5,000	
Commercial Auto:		4/16/2023
Liability insurance (per loss)	500,000	
Uninsured motorist	500,000	
Personal Injury Protection	4,500	
Workman's compensation:		4/16/2023
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:		4/16/2023
Per loss	250,000	
Inland Marine	100% Coinsurance	4/16/2023
Property in transit	33,000	
Linebacker Coverage		4/16/2023
Each loss	1,000,000	
Aggregate	1,000,000	