

RURAL WATER DISTRICT NO. 6
FRANKLIN COUNTY, KANSAS

Financial Statements for the
Year Ended September 30, 2024
And Independent Auditors' Report

RURAL WATER DISTRICT NO. 6
FRANKLIN COUNTY, KANSAS

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS:	
Statement of Net Assets	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6-13
SUPPLEMENTAL INFORMATION:	
Schedule of Insurance in Force	14
Schedule of Statistical Information	15

Michael D. Peroo CPA, PA



INDEPENDENT AUDITORS' REPORT

Board of Directors and Members
Rural Water District No. 6
Franklin County, Kansas

Qualified Opinion

We have audited the accompanying financial statements of Rural Water District No. 6, Franklin County, Kansas (the District), which comprise the Statement of Net Assets as of September 30, 2024, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of Rural Water District No. 6, Franklin County, Kansas of September 30, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified 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 the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Matter Giving Rise to the Qualified Opinion

The District has elected not to adopt the provisions of Government Accounting Standards Board Statement No. 34 requiring the presentation of management's discussion and analysis.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities 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, 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 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 statements.
- 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.

Report on Supplementary Information

The supplemental schedules for the year ended September 30, 2024, listed in the foregoing table of contents are not necessary for a fair presentation of the financial statements, but are presented as additional analytical data. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, we do not express an opinion on these schedules.

Michael D. Peroo, CPA, PA

Olathe, Kansas
December 28, 2024

Michael D. Peroo, CPA, __
Michael D. Peroo, CPA
In Charge of and Actively Engaged
on this Audit

RURAL WATER DISTRICT NO. 6
FRANKLIN COUNTY, KANSAS

STATEMENT OF NET ASSETS
SEPTEMBER 30, 2024

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	236,508
Accounts receivable		101,312
Prepaid expenses		20,748
Total current assets		358,568
ASSETS WHOSE USE IS LIMITED OR RESTRICTED		
Capital improvement project fund		105,000
Principal and interest fund		98,003
Bond reserve fund		230,000
		433,003
PROPERTY, PLANT AND EQUIPMENT, NET		6,502,205
BOND COSTS, NET		81,337
	$	7,375,113
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	$	295,000
Accounts payable		24,782
Accrued liabilities		26,797
Total current liabilities		346,579
LONG-TERM DEBT, less current maturities		2,293,000
NET ASSETS:		
Invested in capital, net of debt		3,995,542
Restricted		433,003
Unrestricted		306,989
Total net assets		4,735,534
	$	7,375,113

See notes to financial statements

RURAL WATER DISTRICT NO. 6
FRANKLIN COUNTY, KANSAS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDING SEPTEMBER 30, 2024

WATER SALES	$	1,095,790
OPERATING EXPENSES		
Personnel		258,665
Repairs & maintenance		138,431
Insurance		59,161
Chemicals		68,167
Depreciation & amortization		353,901
Utilities		67,040
Office supplies		22,402
Vehicle		25,593
Mileage		1,839
Professional fees		20,549
Water assurance, fees, and dues		16,271
Other		2,044
		1,034,063
INCOME FROM OPERATIONS		61,727
NONOPERATING REVENUES (EXPENSES)		
Interest income		19,200
Lease income		15,000
Late charges		17,525
Other income		8,989
Interest expense		(85,189)
Total nonoperating expenses		(24,475)
INCOME BEFORE CAPITAL CONTRIBUTIONS		37,252
CAPITAL CONTRIBUTIONS		108,554
CHANGE IN NET ASSETS		145,806
NET ASSETS, BEGINNING OF YEAR		4,508,999
PRIOR YEAR ADJUSTMENTS		80,729
NET ASSETS, END OF YEAR	$	4,735,534

See notes to financial statements.

RURAL WATER DISTRICT NO. 6
FRANKLIN COUNTY, KANSAS

STATEMENT OF CASH FLOWS
YEAR ENDING SEPTEMBER 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from members for water	$ 1,075,689
Cash payments to suppliers for goods and services	(431,657)
Cash payments to employees for services	(258,665)
Net cash provided by operating activities	385,367
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from sale of benefit units	108,554
Interest paid	(86,800)
Assets whose use is limited or restricted	13,452
Acquisition and construction of property, plant & equipment	(1,081,122)
Principal payments on long term debt	(293,000)
Net cash used by capital and related financing activities	(1,338,916)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Late charges and other	41,514
Net cash provided by noncapital financing activities	41,514
CASH FLOW FROM INVESTING ACTIVITIES:	
Interest received	19,200
Net cash provided by investing activities	19,200
NET CHANGE IN CASH AND EQUIVALENTS	(892,835)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	1,129,343
CASH AND EQUIVALENTS, END OF YEAR	$ 236,508
Reconcilation of operating income to net cash provided by operating activities:	
Income from operations	$ 61,727
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	353,901
Changes in:	
Accounts receivable	(20,101)
Prepaid expenses	(5,128)
Accounts payable	(5,032)
Net cash provided by operating activities	$ 385,367

See notes to financial statements.

RURAL WATER DISTRICT NO. 6
FRANKLIN COUNTY, KANSAS

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

   a. Organization - The Rural Water District (District) was established as a tax exempt organization to acquire water and water rights and to build and acquire pipe lines for the purpose of furnishing water to owners and occupants of land located within the district. Total benefit units at September 30, 2024 were 1,103.

   b. Basis of Accounting – The District follows accounting principles and financial reporting requirements as established by the Governmental Accounting Standards Board (GASB). In the Statement of Net Assets and Statement of Activities and Change in Net Assets, activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. The District has the authority to issue bonded debt without the approval of another government. It has the right to sue and be sued and has the right to buy, sell, lease or mortgage property in its own name. The District accounts for the water utility as a governmental enterprise fund.

   c. Cash equivalents - The District considers all highly liquid debt investments having original maturities of three months or less to be cash equivalents.

   d. Accounts Receivable – The District reads meters electronically at the end of each month. Payments are due by the 15th of each month. Water not paid for by the 15th of each shall be subject to a 15% late charge.

   e. Inventory – The District does not maintain inventory and expenses meters, lines, chemicals, etc. when purchased.

   f. Property, Plant and Equipment - Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

   g. Bond costs – Bond costs are being amortized over the life of the loan.

   h. Benefit Units – Benefit units are rights that entitle the holder to water service. Benefit unit fees were increased from $5,250 to $6,250.

   i. Aid in Construction – Aid in Construction represents contributions from the members for line extensions and are included in the statements of activities.

   j. Income taxes - The District is considered a tax exempt entity and is not subject to income taxes at either the federal or state level.

   k. Operating Revenues and Expenses – Operating revenues and expenses are distinguished from non-operating items. Operating revenues and expenses generally result from providing the sale of water in connection with ongoing operations. Non-operating revenues and expenses include

those derived from capital and related financing activities, non-capital financing activities, and investing activities.

l. Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

2. CASH AND CERTIFICATES OF DEPOSIT

At September 30, 2024, the District's deposits were covered by federal depository insurance or by collateral held by the District's agent in the District's name. The accounts are considered low risk and market approximates costs. The District's cash consists of the following:

		2024
Cash and Cash Equivalents:		
Bank of Midwest - Operating	$	16,167
Bank of Midwest - Sweep Account		97,089
Mid America Bank - ICS		120,556
Mid America Bank - Money Market		2,696
	$	236,508

Under K.S.A. 12-1675, the District is limited to the type of investments; the investments are considered low-risk. Cost approximates market value.

Interest Rate Risk

Interest rate risk is the risk that the fair value of the District's investments will decrease as a result of an increase in interest rates. In accordance with Kansas Statute 12-1675, the District limits its investments to maturities with less than two years.

Credit Risk

Credit risk is the risk that the counterparty will not fulfill its obligations. The District does not have any investments that would be subjected to credit risk.

3. ACCOUNTS RECEIVABLE

Accounts receivable represents the amounts billed for water through the end of the month, plus any unpaid balance. The District grants credit without a member having any collateral. Accounts are written off when deemed uncollectable. There were no accounts written off in 2024.

The water rates in 2024 were as follows:

Benefit Unit Holders:			
Minimum Rate	$	28.50	No gallons
Rate per 1,000	$	10.25	
City of Lane:			
Rate per 1,000	$	10.25	
City of Rantoul:			
Rate per 1,000	$	10.25	

4. ASSETS WHOSE USE IS LIMITED OR RESTRICTED

	2024
Bank of Midwest - Principal and Interes	$ 98,003
Bank of Midwest - Capital Improvement	105,000
Bond reserve fund	230,000
	$ 433,003

The Capital Improvement Project fund is for the funds reserved for future capital improvements.

The Principal and Interest fund is a separate account in which the District deposits the funds to be used for the current payments on the bonds. This account is required by the bond agreement.

The Bond Reserve fund is an additional requirement of the bond agreements requiring the District to maintain amounts in reserve.

5. PROPERTY, PLANT, AND EQUIPMENT

		2024
Land	$	39,949
Water system		4,033,179
Water plant		3,422,500
Clarifier		1,454,844
Pump stations		947,209
Building		105,825
Vehicles		146,551
Equipment		251,371
Riverbank stabilization		436,610
Office equipment		108,806
Tanks		473,990
Construction in progress		760,326
	$	12,181,160
Less accumulated depreciation		5,678,955
	$	6,502,205

	Beginning Balance	Additions	Disposals	Ending Balance
Land	$ 39,949	$		$ 39,949
Water system	3,924,505	108,674		4,033,179
Water plant	3,422,500			3,422,500
Clarifier	1,454,844			1,454,844
Pump stations	947,209			947,209
Building	105,825			105,825
Vehicles	59,706	86,845		146,551
Equipment	45,366	206,005		251,371
Riverbank stabilization	436,610			436,610
Office equipment	108,806			108,806
Tanks	473,990			473,990
Construction in progress		760,326		760,326
	11,019,310	$ 1,161,850	$ -	12,181,160
Accumulated depreciation	5,337,229	$ 341,726	$	5,678,955
	$ 5,682,081			$ 6,502,205

Capitalization policies, depreciation methods, and estimated useful lives of capital assets are as follows:

	Capitalization Policy	Depreciation Method	Estimated Useful Life
Building	5,000	Straight Line	10-30 years
Office equipment	5,000	Straight Line	3-10 years
Water system	5,000	Straight Line	20-40 years
Vehicles	5,000	Straight Line	5 years
Maintenance equipment	5,000	Straight Line	3-10 years

6. ACCRUED LIABILITIES

	2024
Accrued interest	$ 26,797
	$ 26,797

7. LONG TERM DEBT

On May 9, 2017, the District issued Water Revenue Bonds Series 2017 in the amount of $525,000 in order to finance certain improvements to the water system. The bonds bear interest at 2.5%. The District makes semi-annual principal and interest payments with a scheduled maturity in November 2024. Revenues of the District have been pledged as security.	$	80,000
On December 14, 2017, the District issued Refunding Bonds Series 2017 in the amount of $2,580,000 in order to refinance the Water Revenue Bond Series 2012. The bonds bear interest at 2.0% - 3.25%. The District makes semi-annual principal and interest payments with a scheduled maturity in May 2031.Revenues of the District have been pledged as security.	$	1,385,000
On June 8, 2021, the District issued Water Revenue Bonds Series 2021 in the amount of $210,000 in order to finance certain improvements to the water system. The bonds bear interest at 1.75%. The District makes semi-annual principal and interest payments with a schedule maturity in May 2028.		123,000
On August 10, 2022, the District issued Water Revenue Bonds Seris 2022 in the amount of $999,000 in order to finance improvements to the water system. The bonds bear interest 3.0% to 3.70%. The District makes semi-annual principal and interest payments with a scheduled maturity in July 2036. Revenues of the District have pledged as security.		999,000
		2,587,000
Less current maturities		295,000
	$	2,292,000

Maturities of the bonds subsequent to September 30, 2024, are as follows:

Year	Principal	Interest	Total
2025	$ 295,000	$ 76,353	$ 371,353
2026	220,000	70,665	290,665
2027	221,000	65,390	286,390
2028	232,000	59,623	291,623
2029	205,000	53,313	258,313
2030	205,000	47,163	252,163
2031	210,000	40,500	250,500
2032	214,000	33,675	247,675
2033	220,000	27,255	247,255
2034	230,000	20,215	250,215
2035	235,000	12,395	247,395
2036	100,000	1,850	101,850
	2,587,000	508,397	3,095,397
Less current portion	295,000		
	$ 2,292,000		

In accordance with the bond agreements, the District is required to meet a debt service coverage ratio of 1.25. At September 30, 2024 the District's debt service coverage ratio was 1.26, as defined by the bond agreement. The following represents the calculation of the debt service coverage ratio for 2024:

	2024
Income before contributions	$ 48,993
Add back:	
Depreciation and amortization	341,726
Interest expense	85,189
	$ 475,908
Debt service payments	376,560
	1.26

Rollforward of long-term debt for 2024:

	Beginning Balance	Advances	Payments	Ending Balance	Current Portion
Series A, 2017	$ 1,570,000	$	$ 185,000	$ 1,385,000	$ 185,000
Series B, 2017	160,000		80,000	80,000	80,000
Series 2021	152,000		29,000	123,000	30,000
Series 2022	999,000			999,000	
	$ 2,881,000	$	$ 294,000	$ 2,587,000	$ 295,000

8. CONCENTRATION OF CREDIT RISK

The District is engaged in the sale of water to customers located in Franklin County in Kansas. The District grants credit to those customers and requires no collateral.

The District sells water to the City of Lane and the City of Rantoul which account for 9% of the total gallons sold for 2024.

The District maintains its deposits at two banks. Deposits are insured up to $250,000 and excess amounts are secured by collateral receipts or pledged securities.

9. PENSION PLAN

General Information about the Pension Plan

Plan description. The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414 (h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate was 8.43% for the fiscal year ended September 30, 2024.

The contribution requirement for the year ended September 30, 2024 was $29,846, which consisted of $11,895 from the employee and $17,951 from the District.

Net Pension Liability

At September 30, 2024, the District's proportionate share of the collective net pension liability reported by KPERS was $214,154. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022, which was rolled forward to June 30, 2023. The District's proportion of the net pension liability was based on the ratio of the District's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within

KPERS. The District does not recognize long-term debt, this liability is not reported in this financial statement.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at www.kpers.org or can be obtained as described above.

10. 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 interpretation by the County Attorney and legal representatives of the water district. There were no apparent statutory violations during the year ended September 30, 2024

11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, and injuries to employees. The District manages these various risks of loss through insurance policies through Employers Mutual Casualty Company. See supplemental schedule for details of the various insurance policies.

12. SUBSEQUENT EVENTS

In preparing the financial statements, and according to ASC 855, Subsequent Events, the District has evaluated events and transactions for potential recognition or disclosure through December 28, 2024 the date the financial statements were available to be issued. There were no events or transactions that required adjustment to or disclosure in these financial statements.

13. REVENUES AND EXPENSES

The District recognizes revenue from water sales at the time the meters are read. The District does not estimate the usage from the meter read date to the end of the month this practice has been consistently applied. Late charges are recognized when the District is preparing monthly utility bills and the member is past-due in accordance with the by-laws of the District.

Expenses are recognized in the period in which the service was incurred or product received.

****

RURAL WATER DISTRICT NO. 6
FRANKLIN COUNTY, KANSAS

SCHEDULE OF INSURANCE IN FORCE
SEPTEMBER 30, 2024

Policy Type	Expiration Date	Company	Annual Premium	Amount of Coverage	Description
General Liability	5/10/2025	Employers Mutual Casualty Company (EMCC)	$2,640	1,000,000	Aggregate limit
				500,000	Property damage limit
				500,000	Personal injury limit
				500,000	Advertising injury limit
				50,000	Fire damage legal liability
				5,000	Medical expense
Commercial Property	5/10/2025	EMCC	24,901	9,559,945	Building & Towers
Linebacker Coverage	5/10/2025	EMCC	1,938	1,000,000	Each loss
				1,000,000	Aggregate
Workers Compensation	5/10/2025	EMCC	4,001	500,000	Bodily injury by accident
				500,000	Bodily injury by each employee
				500,000	Bodily injury by policy limit
Inland Marine	5/10/2025	EMCC	1,976	68,750	Contractors equipment
Employee Dishonesty	5/10/2025	EMCC	213	50,000	Per employee & treasurer
Automobile	5/10/2025	EMCC	7,277	500,000	Liability
				500,000	Uninsured motorists
				500,000	Inderinsured motorists
Umbrella	5/10/2025	EMCC	1,369	1,000,000	Each occurance
				1,000,000	Personal and advertising
				1,000,000	Aggregate limit

RURAL WATER DISTRICT NO. 6
FRANKLIN COUNTY, KANSAS

SCHEDULE OF STATISTICAL INFORMATION
YEAR ENDING SEPTEMBER 30, 2024

Gallons sold		70,722,000
Gallons pumped		111,360,000
Water loss percentage		36.49%
Number of benefit units		806
Average monthly water sales per benefit unit	$	113.30
Average monthly costs and expenses per benefit unit	$	106.91
Benefit unit cost	$	5,300
Water loss per meter per month		4,202