SSC CPAs, P.A.

PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 18

JACKSON COUNTY, KANSAS

FINANCIAL STATEMENTS WITH SUPPLEMENTAL INFORMATION TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2021 and 2020

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SSC CPAs, P.A.

Independent Auditor's Report

To the Board of Directors
Public Wholesale Water Supply District No. 18
Jackson County, Kansas

Opinion
We have audited the financial statements of Public Wholesale Water Supply District No. 18, Jackson County, Kansas, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial, which collectively comprise Public Wholesale Water Supply District No. 18, Jackson County, Kansas' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Public Wholesale Water Supply District No. 18, Jackson County, Kansas as of December 31, 2021 and 2020, and change in net position and 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Public Wholesale Water Supply District No. 18, Jackson County, Kansas, 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 audit opinion.

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 Public Wholesale Water Supply District No. 18, Jackson County, Kansas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently know information that may raise substantial doubt shortly thereafter.

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 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 of user based on the financial statements.

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 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 Public Wholesale Water Supply District No. 18, Jackson County, Kansas' 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 Public Wholesale Water Supply District No. 18, Jackson County, Kansas' 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 required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information
Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Public Wholesale Water Supply District No. 18, Jackson County, Kansas' basic financial statements. The supplemental information on pages 11 and 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

SSC CPAs, P.A.

SSC CPAs, P.A.
Topeka, Kansas

February 7, 2022

PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 18

STATEMENTS OF NET POSITION

December 31,	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,478,342	$ 1,109,920
Unbilled receivables	83,229	80,663
Prepaid insurance	8,801	8,801
Other receivables	-	190,310
Total current assets	1,570,372	1,389,694
Noncurrent assets		
Restricted cash and cash equivalents	574,270	602,099
Capital assets, net	3,943,863	4,157,962
Intangible assets, net	47,341	49,670
Total noncurrent assets	4,565,474	4,809,731
TOTAL ASSETS	$ 6,135,846	$ 6,199,425
LIABILITIES AND NET POSITION		
Current liabilities		
Bonds payable - current portion	$ 237,188	$ 229,956
Accounts payable	12,250	-
Accrued interest	73,407	76,331
Total current liabilities	322,845	306,287
Noncurrent liabilities		
Bonds payable - noncurrent portion	4,700,338	4,937,586
Total noncurrent liabilities	4,700,338	4,937,586
TOTAL LIABILITIES	5,023,183	5,243,873
Net position		
Invested in capital assets, net of related debt	(993,663)	(1,009,580)
Restricted capital assets	574,270	602,099
Unrestricted	1,532,056	1,363,033
Total net position	1,112,663	955,552
TOTAL LIABILITIES AND NET POSITION	$ 6,135,846	$ 6,199,425

PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 18

STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

For the years ended December 31,	2021	2020
Revenue		
Water sales	$ 961,019	$ 974,682
Total revenue	961,019	974,682
Expenses		
Depreciation	241,409	240,180
Amortization of initial facility costs	2,328	2,328
Administration	147,000	147,000
Professional fees	5,997	5,770
Insurance	27,577	23,925
Maintenance and repair	55,747	39,029
Chemicals	97,953	101,065
Supplies	3,635	2,630
Telephone	4,660	4,529
Utilities	87,969	93,776
Miscellaneous	8,580	7,005
Total expenses	682,855	667,237
Operating income	278,164	307,445
Other income (expense)		
Interest expense	(146,889)	(154,039)
Interest income	4,537	2,804
Settlement proceeds	21,299	201,614
Other income	-	3,588
Total other income (expense)	(121,053)	53,967
Change in net position	157,111	361,412
Net position, beginning of year	955,552	594,140
Net position, end of year	$ 1,112,663	$ 955,552

PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 18

STATEMENTS OF CASH FLOWS

For the years ended December 31,	2021	2020
Cash flows from operating activities		
Receipts from customers	$ 958,453	$ 974,425
Payments to suppliers	(426,868)	(436,979)
Settlement proceeds	211,609	11,304
Net cash provided by operating activities	743,194	548,750
Cash flows from investing activities		
Purchase of plant equipment	(27,309)	-
Sale of plant equipment	-	3,588
Interest	4,537	2,804
Net cash provided (used) by investing activities	(22,772)	6,392
Cash flows from capital and related financing activities		
Principal paid on long term capital debt	(230,016)	(223,355)
Interest paid on long term capital debt	(149,813)	(156,880)
Net cash used for capital and related financing activities	(379,829)	(380,235)
Net increase in cash and cash equivalents	340,593	174,907
Cash and cash equivalents, beginning of year	1,712,019	1,537,112
Cash and cash equivalents, end of year	$ 2,052,612	$ 1,712,019
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 278,164	$ 307,445
Adjustments to reconcile operating income to:		
Net cash provided by operating activities:		
Depreciation	241,409	240,180
Amortization of initial facility costs	2,328	2,328
Settlement proceeds	211,609	11,304
(Increase) decrease in operating assets:		
Accounts receivable	(2,566)	(257)
Increase (decrease) in operating liabilities:		
Accounts payable	12,250	(12,250)
Net cash provided by operating activities	$ 743,194	$ 548,750

1. Nature of organization

Organization and nature of operations

Public Wholesale Water Supply District No. 18 (the District) was organized under Kansas law and is a joint venture of the City of Holton, Jackson County, Kansas, and Rural Water District No. 3, Jackson County, Kansas. The District was organized as a public wholesale water supply district pursuant to K.S.A. 19-3545 et seq. The District is not included in any other governmental "reporting entity" as defined in GASB Pronouncements.

2. Summary of significant accounting policies

Basis of accounting

The District is a governmental organization operated as a business (proprietary) type entity. The District's financial information is accounted for using the economic resources measurement focus and the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Cash and cash equivalents

The District considers all investments with original maturities of three months or less to be cash equivalents.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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 those estimates.

Capital assets

Capital assets are recorded at cost. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets as follows:

Office equipment	5 - 10 years
Plant and equipment	5 - 40 years

The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

Revenue recognition

Operating revenues consist of those revenues that result from the ongoing principal operations of the District and are recognized when earned.

Accounts receivable

Accounts receivable arise from the sale of water and are stated at the unpaid balance. There is no interest charged on unpaid balances. The District considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. In the event accounts become uncollectible, they are charged to operations at the time that determination is made.

Income taxes

The District is a tax-exempt governmental entity and is not subject to income taxes at either the federal or State level.

Intangible assets

Intangible assets consist of certain costs associated with the construction of the initial production facility. These costs have been capitalized and are being amortized on a straight-line basis over the term of the debt. These costs consisted of the following as of December 31, 2021 and 2020:

	Original Amount	Less: Accumulated Amortization	Balance at December 31, 2021
Initial facility costs	$ 93,130	$ (45,789)	$ 47,341
	$ 93,130	$ (45,789)	$ 47,341

	Original Amount	Less: Accumulated Amortization	Balance at December 31, 2020
Initial facility costs	$ 93,130	$ (43,460)	$ 49,670
	$ 93,130	$ (43,460)	$ 49,670

3. Capital assets

Capital assets, together with activity for the years ended December 31, 2021 and 2020 consisted of the following:

	December 31, 2020	Additions	Reductions	December 31, 2021
Capital Assets				
Land	$ 68,396	$ -	$ -	$ 68,396
Office equipment	35,113	-	(7,079)	28,034
Plant and equipment	8,235,227	27,309	-	8,262,537
	8,338,736	27,309	(7,079)	8,358,967
Less: Accumulated depreciation for:				
Office equipment	35,113	-	(7,079)	28,034
Plant and equipment	4,145,661	241,409	-	4,387,070
	$ 4,157,962	$ (214,100)	$ -	$ 3,943,863

	December 31, 2019	Additions	Reductions	December 31, 2020
Capital Assets				
Land	$ 68,396	$ -	$ -	$ 68,396
Office equipment	35,113	-	-	35,113
Plant and equipment	8,237,566	-	(2,339)	8,235,227
	8,341,075	-	(2,339)	8,338,736
Less: Accumulated depreciation for:				
Office equipment	35,113	-	-	35,113
Plant and equipment	3,907,820	240,180	(2,339)	4,145,661
	$ 4,398,142	$ (240,180)	$ -	$ 4,157,962

Depreciation expense was $241,409 and $240,180 for the years ended December 31, 2021 and 2020.

4. Long-term debt

Long-term debt consists of Water System Revenue Bonds issued to the United States Department of Agriculture Office of Land Development in the amount of $5,923,700 with a range of maturity dates of 2005 to 2053, with interest rates of 2.5% and 3.32%, payable annually from utility revenues and secured by these revenues. Series 2018, as noted below, was issued as a refunding bond to take advantage of a lower interest rate and refund Series 2002-A.

The following is a detailed listing of the District's long-term debt:

Debt Issue	Date Issued	Original Amount	Interest Rate
Revenue Bonds:			
Series 2013	3/29/2013	$ 2,793,000	2.50%
Series 2018	3/29/2018	$ 3,130,700	3.32%

The following is a summary of changes in long-term debt for the years ended December 31, 2021 and 2020:

December 31, 2021	Beginning Princial Outstanding	Additions to Principal	Reductions of Principal	Ending Principal Outstanding
Revenue Bonds:				
Series 2013	$ 2,472,442	$ -	$ 49,316	$ 2,423,126
Series 2018	2,695,100	-	180,700	2,514,400
	$ 5,167,542	$ -	$ 230,016	$ 4,937,526

December 31, 2020	Beginning Princial Outstanding	Additions to Principal	Reductions of Principal	Ending Principal Outstanding
Revenue Bonds:				
Series 2013	$ 2,520,497	$ -	$ 48,055	$ 2,472,442
Series 2018	2,870,400	-	175,300	2,695,100
	$ 5,390,897	$ -	$ 223,355	$ 5,167,542

The annual debt service requirements to maturity for bonded debt as of December 31, 2021 are as follows:

Year Ending	Revenue Bonds, Series 2013		Revenue Bonds, Series 2018	
December 31,	Principal	Interest	Principal	Interest
2022	$ 50,488	$ 60,775	$ 186,700	$ 81,956
2023	51,750	59,513	193,100	75,706
2024	53,044	58,219	200,100	69,237
2025	54,370	56,893	206,600	62,537
2026	55,729	55,534	213,400	55,627
2027 - 2031	300,253	256,060	1,178,800	166,088
2032 - 2036	339,709	216,604	335,700	10,740
2037 - 2041	384,349	171,964	-	-
2042 - 2046	434,856	121,457	-	-
2047 - 2051	491,999	64,314	-	-
2052 - 2053	206,580	8,075	-	-
	$ 2,423,126	$ 1,129,408	$ 2,514,400	$ 521,891

The District has certain loan covenants within the bond resolution requiring total revenue available for debt service, as defined in the bond agreement, of at least 125% of debt requirements. This amount was 137% for the year ended December 31, 2021. For the year ended December 31, 2020, this amount was 145%. The District last approved a rate increase effective March 2010.

Interest expense on long-term debt totaled $146,889 and $154,039 for the years ended December 31, 2021 and 2020.

5. 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.

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.

At December 31, 2021, the carrying amount of the District's deposits, was $2,052,612 and the bank balance was $2,057,563, of which $250,000 was covered by federal deposit insurance and the balance of $1,807,563 by pledged securities held by a third party.

6. Restricted assets

Restricted assets at December 31, 2021 and 2020 consisted of the following:

	December 31, 2021
Bond principal and interest	$ 181,990
Bond reserve account	392,280
	$ 574,270

	December 31, 2020
Bond principal and interest	$ 209,819
Bond reserve account	392,280
	$ 602,099

7. Operating contract

The District has entered into a contract with the City of Holton (a related party) to provide the day-to-day operation and maintenance of the water treatment facility, including accounting and record keeping services. Dated October 18, 2017, the contract in the amount of $147,000 per year is for a term of five years.

8. Water purchase contracts

The District has entered into contracts with the City of Holton and Rural Water District No. 3, Jackson County, Kansas, in which the two parties each agree to purchase no less than 8,146,000 gallons of water per month at 1.54 cents per thousand gallons and to pay a base rate of $25,000 per month.

9. Risks and uncertainties

During the year ended December 31, 2020, a pandemic was declared due to the outbreak of the COVID-19 coronavirus. As a result of significant disruptions in the U.S. economy due to the outbreak, uncertainties have arisen which are likely to negatively impact future operating results. The duration and extent to which COVID-19 may impact financial performance is unknown at this time.

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. The District joined together with other entities in the State to participate in Employers Mutual Insurance Corp. (EMC), a public entity risk pool currently operating as a common risk management and insurance program for the participating members.

The 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.

10. Compliance with finance-related legal and contractual provisions

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

11. Class action lawsuit

The District participated in a class action lawsuit. During the year ended December 31, 2020, the District received settlement proceeds of $11,304. In January 2021, the District received an additional $190,310 and this amount was recorded as a receivable for the year ended December 31, 2020. An additional payment of $21,299 was received in 2021. It is unknown whether the District will receive additional proceeds as a result of the settlement and therefore no receivable is deemed necessary.

12. Subsequent events

Management has evaluated subsequent events through February 7, 2022, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 18

INSURANCE COVERAGE (unaudited)

The District's insurance policy is provided by EMC and Kellerman Insurance, Inc., with a premium of $29,092 and covers the period May 1, 2021 to May 1, 2022. It provides the following coverage:

Building (90% coinsurance)	$	9,478,451
Personal property (90% coinsurance)		241,113
Storage tanks (90% coinsurance)		787,956
Equipment (80% coinsurance)		76,014
General liability		1,000,000/2,000,000
Linebacker		500,000/1,000,000
Employee theft		381,000

The District's insurance policy is provided by EMC and Kellerman Insurance, Inc., with a premium of $29,092 and covers the period May 1, 2020 to May 1, 2021. It provides the following coverage:

Building (90% coinsurance)	$	9,202,380
Personal property (90% coinsurance)		234,900
Storage tanks (90% coinsurance)		765,006
Equipment (80% coinsurance)		76,014
General liability		1,000,000/2,000,000
Linebacker		500,000/1,000,000
Employee theft		381,000

PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 18
CUSTOMERS SERVED (Unaudited)
DECEMBER 31, 2021 and 2020

For the year ended December 31, 2021	Beginning of Year	Changes	End of Year
City of Holton, Kansas (average)	1,556	6	1,562
Rural Water District No. 3	1,961	24	1,985
Total	3,517	30	3,547

For the year ended December 31, 2020	Beginning of Year	Changes	End of Year
City of Holton, Kansas (average)	1,547	9	1,556
Rural Water District No. 3	1,893	68	1,961
Total	3,440	77	3,517