SSC CPAs, P.A.

PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 18

JACKSON COUNTY, KANSAS

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

DECEMBER 31, 2024 and 2023

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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 accompanying financial statements of Public Wholesale Water Supply District No. 18, Jackson County, Kansas, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, 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, 2024 and 2023, and the changes in financial position and cash flows thereof 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 known 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 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 10, 2025

PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 18
STATEMENTS OF NET POSITION

December 31,	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,814,518	$ 1,781,777
Accounts receivable	76,314	81,722
Prepaid expenses	33,833	8,801
Total current assets	1,924,665	1,872,300
Noncurrent assets		
Restricted cash and cash equivalents	542,634	542,594
Capital assets, net	3,460,912	3,648,091
Intangible assets, net	40,357	42,685
Total noncurrent assets	4,043,903	4,233,370
TOTAL ASSETS	$ 5,968,568	$ 6,105,670
LIABILITIES AND NET POSITION		
Current liabilities		
Bonds payable - current portion	$ 260,970	$ 253,144
Accounts payable	42,555	42,579
Accrued interest	64,078	67,287
Total current liabilities	367,603	363,010
Noncurrent liabilities		
Bonds payable - noncurrent portion	3,941,570	4,202,540
Total noncurrent liabilities	3,941,570	4,202,540
TOTAL LIABILITIES	4,309,173	4,565,550
Net position		
Invested in capital assets, net of related debt	(741,628)	(807,593)
Restricted assets	542,634	542,594
Unrestricted	1,858,389	1,805,119
Total net position	1,659,395	1,540,120
TOTAL LIABILITIES AND NET POSITION	$ 5,968,568	$ 6,105,670

PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 18

STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

For the years ended December 31,	2024	2023
Revenue		
Water sales	$ 963,178	$ 1,027,725
Total revenue	963,178	1,027,725
Expenses		
Depreciation	187,179	184,076
Amortization of initial facility costs	2,328	2,328
Administration	198,000	176,750
Professional fees	10,550	7,812
Insurance	43,467	33,927
Maintenance and repair	43,252	32,057
Chemicals	136,988	147,291
Supplies	8,922	5,233
Telephone	2,398	4,556
Utilities	134,285	143,742
Dues and fees	1,444	280
Miscellaneous	13,184	7,086
Total expenses	781,997	745,138
Operating income	181,181	282,587
Other income (expense)		
Interest expense	(124,052)	(131,916)
Interest income	48,051	37,997
Other income	14,095	50,000
Total other income (expense)	(61,906)	(43,919)
Change in net position	119,275	238,668
Net position, beginning of year	1,540,120	1,301,452
Net position, end of year	$ 1,659,395	$ 1,540,120

PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 18

STATEMENTS OF CASH FLOWS

For the years ended December 31,	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 968,586	$ 1,034,600
Cash paid to suppliers	(617,546)	(544,302)
Other cash receipts	14,095	50,000
NET CASH PROVIDED BY OPERATING ACTIVITIES	365,135	540,298
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest	48,051	37,997
NET CASH PROVIDED BY INVESTING ACTIVITIES	48,051	37,997
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on long term debt	(253,144)	(244,850)
Interest paid on long term debt	(127,261)	(135,023)
Purchase of capital assets	-	(93,499)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(380,405)	(473,372)
Net increase in cash and cash equivalents	32,781	104,923
Cash and cash equivalents, beginning of year	2,324,371	2,219,448
Cash and cash equivalents, end of year	$ 2,357,152	$ 2,324,371
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 181,181	$ 282,587
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	187,179	184,076
Amortization of initial facility costs	2,328	2,328
Other income	14,095	50,000
(Increase) decrease in operating assets:		
Accounts receivable	5,408	6,875
Prepaid expenses	(25,032)	-
Increase (decrease) in operating liabilities:		
Accounts payable	(24)	14,432
Net cash provided by operating activities	$ 365,135	$ 540,298
Reconciliation of cash and cash equivalents to the Statements of Net Position		
Cash and cash equivalents per Statements of Net Position	$ 1,814,518	$ 1,781,777
Restricted cash and cash equivalents per Statements of Net Position	542,634	542,594
Total cash and cash equivalents per Statements of Net Position	$ 2,357,152	$ 2,324,371

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.

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 (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 water is consumed.

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 current expected credit losses 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, 2024 and 2023:

	Original Amount	Less: Accumulated Amortization	Balance at December 31, 2024
Initial facility costs	$ 93,130	$ (52,773)	$ 40,357

	Original Amount	Less: Accumulated Amortization	Balance at December 31, 2023
Initial facility costs	$ 93,130	$ (50,445)	$ 42,685

3. CAPITAL ASSETS

Capital assets, together with activity for the years ended December 31, 2024 and 2023, consisted of the following:

	December 31, 2023	Additions	Reductions	December 31, 2024
Capital Assets				
Land	$ 68,396	$ -	$ -	$ 68,396
Office equipment	28,034	-	-	28,034
Plant and equipment	8,364,249	-	-	8,364,249
	8,460,679	-	-	8,460,679
Less: Accumulated depreciation for:				
Office equipment	28,034	-	-	28,034
Plant and equipment	4,784,554	187,179	-	4,971,733
	$ 3,648,091	$ (187,179)	$ -	$ 3,460,912

	December 31, 2022	Additions	Reductions	December 31, 2023
Capital Assets				
Land	$ 68,396	$ -	$ -	$ 68,396
Office equipment	28,034	-	-	28,034
Plant and equipment	8,270,750	93,499	-	8,364,249
	8,367,180	93,499	-	8,460,679
Less: Accumulated depreciation for:				
Office equipment	28,034	-	-	28,034
Plant and equipment	4,600,478	184,076	-	4,784,554
	$ 3,738,668	$ (90,577)	$ -	$ 3,648,091

Depreciation expense was $187,179 and $184,076 for the years ended December 31, 2024 and 2023, respectively.

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 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, 2024 and 2023:

December 31, 2024	Beginning Principal Outstanding	Additions to Principal	Reductions of Principal	Ending Principal Outstanding
Revenue Bonds:				
Series 2013	$ 2,321,084	$ -	$ 53,044	$ 2,268,040
Series 2018	2,134,600	-	200,100	1,934,500
	$ 4,455,684	$ -	$ 253,144	$ 4,202,540

December 31, 2023	Beginning Principal Outstanding	Additions to Principal	Reductions of Principal	Ending Principal Outstanding
Revenue Bonds:				
Series 2013	$ 2,372,834	$ -	$ 51,750	$ 2,321,084
Series 2018	2,327,700	-	193,100	2,134,600
	$ 4,700,534	$ -	$ 244,850	$ 4,455,684

The annual debt service requirements to maturity for bonded debt as of December 31, 2024 are as follows:

Year Ending	Revenue Bonds, Series 2013		Revenue Bonds, Series 2018	
December 31,	Principal	Interest	Principal	Interest
2025	$ 54,370	$ 56,893	$ 206,600	$ 62,537
2026	55,729	55,534	213,400	55,627
2027	57,122	54,140	220,600	48,484
2028	58,550	52,712	227,900	41,095
2029	60,014	51,249	235,300	33,472
2030 - 2034	323,340	232,973	830,700	53,777
2035 - 2039	365,829	190,484	-	-
2040 - 2044	413,902	142,411	-	-
2045 - 2049	468,292	88,021	-	-
2050 - 2053	410,892	26,483	-	-
Total	$ 2,268,040	$ 950,900	$ 1,934,500	$ 294,992

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 110% and 133% for the years ended December 31, 2024 and 2023, respectively. The District last approved a rate increase effective March 2010.

Interest expense on long-term debt totaled $124,052 and $131,916 for the years ended December 31, 2024 and 2023, respectively.

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.

Custodial credit risk. 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 31, 2024.

At December 31, 2024, the carrying amount of deposits was $2,357,152 and the bank balance was $2,409,028. The bank balance was held by three banks resulting in concentration of credit risk. Of the bank balance, $311,806 was covered by federal depository insurance. Pursuant to K.S.A. 12-1675(f), the remaining $2,097,222 is deposited in an insured cash sweep account in the District's name.

6. RESTRICTED ASSETS

Restricted assets at December 31, 2024 and 2023 consisted of the following:

		December 31, 2024
Bond principal and interest	$	150,354
Bond reserve account		392,280
	$	542,634

		December 31, 2023
Bond principal and interest	$	150,314
Bond reserve account		392,280
	$	542,594

7. OPERATING CONTRACT

The District 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 May 15, 2023, the contract in the amount of $198,000 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

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

As described in Note 4, the District did not meet the 125% debt service coverage requirement as defined in its bond agreements.

Per the covenants of the district outlined in the bond agreement, the District agrees that it will at all times maintain and collect rates, fees or charges for the services rendered which will be sufficient for the District to have in each fiscal year a net operating income in an amount which will be not less than 125% of the amount required to be paid by the District for both principal and interest in the following fiscal year. If an increase in existing rates, fees or charges for services rendered is needed in order to satisfy the obligations of this resolution, the District shall promptly make such increase and shall cause the same to be effective within ninety days after the date of this report.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 10, 2025, the date on 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 $47,956 and covers the period May 1, 2024 to May 1, 2025. It provides the following coverage:

Building (90% coinsurance)	$	14,438,439
Personal property (90% coinsurance)		273,801
Storage tanks (90% coinsurance)		894,784
Equipment (80% coinsurance)		101,014
General liability		1,000,000/2,000,000
Linebacker		1,000,000/2,000,000
Employee theft		381,000

The District's insurance policy is provided by EMC and Kellerman Insurance, Inc., with a premium of $35,648 and covers the period May 1, 2023 to May 1, 2024. It provides the following coverage:

Building (90% coinsurance)	$	11,054,718
Personal property (90% coinsurance)		260,763
Storage tanks (90% coinsurance)		852,175
Equipment (80% coinsurance)		76,014
General liability		1,000,000/2,000,000
Linebacker		1,000,000/2,000,000
Employee theft		381,000

PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 18
CUSTOMERS SERVED (UNAUDITED)
DECEMBER 31, 2024 and 2023

For the year ended December 31, 2024	Beginning of Year	Changes	End of Year
City of Holton, Kansas (average)	1,520	163	1,683
Rural Water District No. 3	2,005	14	2,019
Total	3,525	177	3,702

For the year ended December 31, 2023	Beginning of Year	Changes	End of Year
City of Holton, Kansas (average)	1,557	(37)	1,520
Rural Water District No. 3	1,992	13	2,005
Total	3,549	(24)	3,525