

**PUBLIC WHOLESALE WATER  
SUPPLY DISTRICT NO. 23**

Independent Auditors' Report  
and Financial Statement  
with Supplementary Information

For the Year Ended  
December 31, 2021

## **PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 23**

### **TABLE OF CONTENTS**

	<u>PAGE NUMBER</u>
Independent Auditors' Report .....	1 - 3
<u>Statement 1</u>	
Summary Statement of Receipts, Expenditures, and Unencumbered Cash– Regulatory Basis .....	4
Notes to the Financial Statement .....	5 – 13
SUPPLEMENTARY INFORMATION:	
<u>Schedule 1</u>	
Schedule of Receipts and Expenditures – Actual – Regulatory Basis – (With Comparative Actual Amounts for the Prior Year):	
Water Utility Fund .....	14-15
Water Utility Bond Reserve Fund .....	16
Water Utility Replacement Reserve Fund.....	17
Water Utility Principal and Interest Fund .....	18
Water Utility Project Fund.....	19
Schedule of Expenditures of Federal Awards.....	20
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	21 – 22
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	23 - 25
Schedule of Findings and Questioned Costs .....	26 - 27
Summary Schedule of Prior Audit Findings .....	28
Corrective Action Plan.....	29

# JARRED, GILMORE & PHILLIPS, PA

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Public Wholesale Water Supply District No. 23  
Fredonia, Kansas

### ***Adverse and Unmodified Opinion***

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Public Wholesale Water Supply District No. 23, as of and for the year ended December 31, 2021 and the related notes to the financial statement.

### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse and Unmodified Opinion" section of our report, the accompanying financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Public Wholesale Water Supply District No. 23 as of December 31, 2021, or changes in financial position and cash flows thereof for the year then ended.

### ***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Public Wholesale Water Supply District No. 23 as of December 31, 2021, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

### ***Basis for Adverse and Unmodified Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the Kansas Municipal Audit and Accounting Guide, and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinion.

### ***Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note 1 of the financial statement, the financial statement is prepared by the Public Wholesale Water Supply District No. 23 on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### ***Responsibilities of Management for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, 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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statement***

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is 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 and *Government 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 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 statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, 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 statement.
- 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 statement.
- 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.

### ***Other Matters***

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of Public Wholesale Water Supply District No. 23 as of and for the year ended December 31, 2020 (not presented herein), and have issued our report thereon dated June 29, 2021, which contained an unmodified opinion on the basic financial statement. The 2020 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <https://admin.ks.gov/offices/oar/municipalservices>. The 2020 actual column (2020 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget for the year ended December 31, 2021 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2020 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2020 basic financial statement. The 2020 comparative information was subjected to the auditing procedures applied in the audit of the 2020 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2020 basic financial statement or to the 2020 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2020 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2020, on the basis of accounting described in Note 1.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2022 on our consideration of the Public Wholesale Water Supply District No. 23's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Public Wholesale Water Supply District No. 23's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Public Wholesale Water Supply District No. 23's internal control over financial reporting and compliance.



JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants

June 17, 2022  
Chanute, Kansas

**PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 23**  
Fredonia, Kansas  
Summary Statement of Receipts, Expenditures, and Unencumbered Cash  
Regulatory Basis  
For the Year Ended December 31, 2021

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash December 31, 2021
Business Funds:						
Water Utility	\$ 943,798.40	\$ 3,698,032.13	\$ 3,330,993.93	\$ 1,310,836.60	\$ 20,624.56	\$ 1,331,461.16
Water Utility Bond Reserve	836,225.65	575,752.25	-	1,411,977.90	-	1,411,977.90
Water Utility Replacement Reserve	117,222.65	58.62	-	117,281.27	-	117,281.27
Water Utility Principal and Interest	532,764.47	7,708,055.91	7,645,318.68	595,501.70	-	595,501.70
Water Utility Project	96,028.70	3,648,749.07	3,493,001.63	251,776.14	-	251,776.14
Total Reporting Entity	<u>\$ 2,526,039.87</u>	<u>\$ 15,630,647.98</u>	<u>\$ 14,469,314.24</u>	<u>\$ 3,687,373.61</u>	<u>\$ 20,624.56</u>	<u>\$ 3,707,998.17</u>

## Composition of Cash:

Bank of Commerce - Operating .....	\$ 227,543.29
Bank of Commerce - Construction .....	251,776.14
Bank of Commerce - Construction Reimb .....	638,219.37
Bank of Commerce - Checking.....	1,411,977.90
Bank of Commerce - Reserve .....	117,281.27
Bank of Commerce - Savings.....	465,698.50
Bank of Commerce - Certificate of Deposit.....	595,501.70
Total Cash and Investments .....	<u>\$ 3,707,998.17</u>

The notes to the financial statements are  
an integral part of this statement.

## **PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 23**

Notes to Financial Statement  
For the Year Ended December 31, 2021

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Public Wholesale Water Supply District No. 23, (the District) sells water to 20 customers in Montgomery, Neosho, Labette, Wilson, and Woodson counties. The District produces the water from the Fall River at a plant in Fredonia.

*Related Municipal Entities:* A related municipal entity is determined by the following criteria. Whether the District exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of the public service, and significant operational or financial relationships with the District. Related municipal entities are not required to be included in the District's audit by the Kansas Municipal Audit and Accounting Guide (KMAAG).

The District has determined that no outside agency meets the above criteria and, therefore, no outside agency has been included as a related municipal entity in the financial statement.

#### **Regulatory Basis Fund Types**

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The following types of funds comprise the financial activities of the Public Wholesale Water Supply District No. 23 for the year of 2021:

Business fund – funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service fund etc.)

Capital Project fund – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Bond and Interest funds - used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

#### **Basis of Accounting**

*Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America.* The Kansas Municipal Audit and Accounting Guide (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

## 1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

### Property and Equipment

The accounting and reporting treatment used for property and equipment under the cash basis laws of Kansas require that property and equipment be recorded as an expenditure during the year of purchase.

### Income Tax Status

Public Wholesale Water Supply District No. 23 is recognized by the Internal Revenue Service as a quasi-municipal corporation under K.S.A. 88a-616, and is exempt from Federal and Kansas income taxes. Accordingly, this financial statement does not present a provision for income taxes.

### Accounting Estimates

The preparation of the financial statement 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 statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Reimbursed Expenses

K.S.A. 79-2934 provides that reimbursed expenditures, should be recorded as reductions in expenditures rather than as revenues. In the financial statement presented in this report, reimbursements and refunds are recorded as revenues. The reimbursements are recorded as receipts when received by the District and are often difficult to identify the exact expenditure which they are reimbursing.

## 2. **STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### Compliance with Revenue Bond Covenants

The District is required, under the ordinances on Revenue Bond Issues, to maintain in its Enterprise Funds certain restricted accounts. The ordinances provide that the following reserve accounts be set up in amounts described below:

<u>RESERVE ACCOUNTS</u>	<u>REQUIRED AMOUNT</u>	<u>ACTUAL AMOUNT</u>
Principal and Interest Account for Water Revenue Bonds Series 2017, 2018-A, 2018-B, 2018-C, 2021-A & 2021-B – requires transfers. monthly of 1/12 of next maturing interest and 1/12 of next maturing principal.	\$ 234,039.96	\$ 595,501.70
Debt Service Reserve Account for Water Revenue Bonds Series 2017 & 2009B - requires \$5,842.25 Per month until \$675,401.30 is reached.	<u>675,401.30</u>	<u>1,411,977.90</u>
TOTAL RESERVES AT DECEMBER 31, 2021	<u>\$ 909,441.26</u>	<u>\$2,007,479.60</u>

## **2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY** (Continued)

The District agrees to fix, establish, maintain and collect such rates, fees or charges for Water Utility service which will be sufficient to enable the District to have, in each fiscal year, a net revenue in an amount that will be not less than 110% amount required to be paid by the District during that fiscal year on account of both principal and interest of all Water Utility System Bonds of the District at the time outstanding. Net revenue is defined as gross income less operating expenses, but before any transfers, depreciation and capital expense. For the year ended December 31, 2021, the District had net revenues available for debt service of \$2,541,781.77. The revenue bond ordinance requires net revenues available for debt service of \$1,249,686.06 which is 110% of the principal and interest requirements for 2021. Therefore, the District was in compliance with this covenant.

### **Compliance with Kansas Statutes**

Statement 1 is designed to show compliance with the cash basis laws of Kansas. As shown in Statement 1, the District was in apparent compliance with the cash basis laws of Kansas.

## **3. DEPOSITS AND INVESTMENTS**

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 branch 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.

*Concentration of credit risk.* State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka.

### **3. DEPOSITS AND INVESTMENTS** (Continued)

At December 31, 2021, the District's carrying amount of deposits, including certificates of deposit was \$3,707,998.17 and the bank balance was \$3,733,647.19. The bank balance was held at one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000.00 was covered by federal depository insurance (FDIC) and the remaining \$3,483,647.19 was collateralized by pledged securities held under joint custody receipts by a third-party bank in the District's name.

### **4. CONCENTRATION OF RISK**

The District's customers are located in Montgomery, Neosho, Labette, Wilson, and Woodson counties. Risk of accounting loss exists from the possibility that numerous customers would no longer purchase water from the District. However, the District has minimum purchase contracts with their customers that reduce the risk of lower sales. Impact of potential risk cannot be determined. Accounts receivable consists of unsecured receivable from the sales of water to customers of the District. The District is subject to the credit risk inherent in the rural water district business.

### **5. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employee; employees' health and life; and natural disasters. The District manages these risks of loss through the purchase of various insurance policies.

### **6. DEFINED BENEFIT PENSION PLAN**

#### General Information about the Pension Plan

*Plan description.* The District 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 publically available financial report that includes financial statement 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](http://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.

## **6. DEFINED BENEFIT PENSION PLAN** (Continued)

State law provides that the employer contribution rates for KPERS 1 and 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 8.87% for the fiscal year ended December 31, 2021. Contributions to the pension plan from the District were \$25,452.25 for the year ended December 31, 2021.

### Net Pension Liability

At December 31, 2021, The District's proportionate share of the collective net pension liability reported by KPERS was \$140,239.00. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020, which was rolled forward to June 30, 2021. 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. Since the KMAAG regulatory basis of accounting 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](http://www.kpers.org) or can be obtained as described above.

## 7. LONG-TERM DEBT

Changes in long-term debt for the District for the year ended December 31, 2021, were as follows:

Issue	Interest Rates	Date of Issue	Original Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
Revenue Bonds									
Paid with Utility Receipts									
Series 2009-B	3.375%	October 22, 2009	\$ 3,807,000.00	December 1, 2049	\$ 3,284,289.00	\$ -	\$ (3,284,289.00)	\$ -	\$ 60,129.54
Series 2017	1.1%-4.125%	September 19, 2017	9,295,000.00	December 1, 2048	8,305,000.00	-	(190,000.00)	8,115,000.00	297,995.00
Series 2018-A	1.875%	October 24, 2018	9,900,000.00	October 24, 2058	9,560,044.52	-	(174,773.17)	9,385,271.35	179,250.83
Series 2018-B	1.875%	October 24, 2018	3,604,000.00	October 24, 2058	3,480,240.53	-	(63,625.49)	3,416,615.04	65,254.51
Series 2018-C	3.125%	October 24, 2018	3,088,000.00	October 24, 2058	3,007,083.12	-	(3,007,083.12)	-	60,759.56
Series 2021-A	0.000%	June 4, 2021	-		-	2,960,000.00	-	2,960,000.00	60,759.56
Series 2021-B	2.683%	June 16, 2021	6,570,000.00	December 1, 2050	-	6,570,000.00	(195,000.00)	6,375,000.00	67,158.46
Total Contractual Indebtedness					<u>\$ 27,636,657.17</u>	<u>\$ -</u>	<u>\$ (6,914,770.78)</u>	<u>\$ 30,251,886.39</u>	<u>\$ 791,307.46</u>

## 7. LONG-TERM DEBT (Continued)

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity is as follows:

Principal	2022	2023	2024	2025	2026	2027-2031	
Revenue Bonds							
Series 2017	\$ 195,000.00	\$ 200,000.00	\$ 200,000.00	\$ 205,000.00	\$ 210,000.00	\$ 1,150,000.00	
Series 2018-A	178,041.04	181,379.31	184,780.17	188,244.80	191,774.39	1,014,176.00	
Series 2018-B	64,814.13	66,029.40	67,267.45	68,528.71	69,813.63	369,201.05	
Series 2021-A	51,741.00	52,646.47	53,430.87	54,502.82	55,456.62	292,051.50	
Series 2021-B	180,000.00	180,000.00	180,000.00	180,000.00	180,000.00	945,000.00	
Total Principal Payments	669,596.17	680,055.18	685,478.49	696,276.33	707,044.64	3,770,428.55	
Interest							
Revenue Bonds							
Series 2017	296,865.00	293,257.50	289,057.50	284,557.50	279,637.50	1,308,440.00	
Series 2018-A	175,974.33	172,636.06	169,235.20	165,770.57	162,240.98	623,200.85	
Series 2018-B	64,061.77	62,846.50	61,608.45	60,347.19	59,062.27	275,178.45	
Series 2021-A	51,800.00	50,894.53	50,110.13	49,038.18	48,084.38	225,653.50	
Series 2021-B	145,942.50	145,132.50	144,142.50	142,882.50	141,352.50	673,487.50	
Total Interest Payments	734,643.60	724,767.09	714,153.78	702,595.94	690,377.63	3,105,960.30	
Total Principal and Interest	\$ 1,404,239.77	\$ 1,404,822.27	\$ 1,399,632.27	\$ 1,398,872.27	\$ 1,397,422.27	\$ 6,876,388.85	

  

Principal	2032-2036	2037-2041	2042-2046	2047-2051	2052-2056	2057-2061	Total
Revenue Bonds							
Series 2017	\$ 1,375,000.00	\$ 1,650,000.00	\$ 2,010,000.00	\$ 920,000.00	\$ -	\$ -	\$ 8,115,000.00
Series 2018-A	1,112,887.94	1,221,207.73	1,340,070.52	1,470,502.49	1,613,629.07	688,577.89	9,385,271.35
Series 2018-B	405,136.18	444,568.97	487,839.81	535,322.34	587,426.41	250,666.96	3,416,615.04
Series 2021-A	318,423.02	347,412.17	378,906.27	413,255.79	450,691.57	491,481.90	2,960,000.00
Series 2021-B	1,030,000.00	1,150,000.00	1,310,000.00	1,040,000.00	-	-	6,375,000.00
Total Principal Payments	4,241,447.14	4,813,188.87	5,526,816.60	4,379,080.62	2,651,747.05	1,430,726.75	30,251,886.39
Interest							
Revenue Bonds							
Series 2017	1,090,437.50	805,200.00	444,831.28	57,337.50	-	-	5,149,621.28
Series 2018-A	657,188.91	548,869.12	430,006.33	299,574.36	156,447.18	19,452.85	3,580,596.74
Series 2018-B	239,243.32	199,810.53	156,539.69	109,057.16	56,953.29	7,084.84	1,351,793.46
Series 2021-A	199,281.98	170,292.83	138,798.73	104,449.21	67,013.43	26,223.10	1,181,640.00
Series 2021-B	591,140.00	472,500.00	305,025.00	82,750.00	-	-	2,844,355.00
Total Interest Payments	1,986,869.73	1,553,879.65	1,031,377.30	465,969.02	213,400.47	26,537.69	10,082,011.48
Total Principal and Interest	\$ 6,228,316.87	\$ 6,367,068.52	\$ 6,558,193.90	\$ 4,845,049.64	\$ 2,865,147.52	\$ 1,457,264.44	\$ 40,333,897.87

## **8. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS**

### *Death and Disability Other Post-Employment Benefits*

As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended December 31, 2021.

All full-time employees of the District with one year of employment are eligible for vacation benefits of ten days per year, plus one day for each year of employment. The maximum vacation time earned per year is twenty days. In the event of termination, unused accrued vacation time is paid.

Sick leave accrues to all full-time employees at the rate of one day per month. Unused sick leave may be added carried over to the subsequent year, up to a maximum of twelve days. Employees who terminate by other than retirement or death will not be paid for accumulated sick leave.

The District determines a liability for compensated absences when the following conditions are met:

1. The District's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria, the District has estimated a liability for vacation pay in the amount of \$7,947.40. The District has not estimated a liability for sick pay, which has been earned, but not taken by District employees, inasmuch as the amount cannot be reasonably estimated at this time.

## **9. INTERFUND TRANSFERS**

Operating transfers were as follows:

<u>From Fund:</u>	<u>To Fund:</u>	<u>Statutory Authority:</u>	<u>Amount:</u>
Water Utility	Water Utility Principal & Interest	K.S.A. 12-825d	\$1,294,608.00
Water Utility	Water Utility Bond Reserve	K.S.A. 12-825d	575,073.76
Water Utility Project	Water Utility	K.S.A. 12-825d	638,166.04

## **10. CONTINGENCIES**

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus in Wuhan, China (the “COVID-19 outbreak”) and the risk to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District’s financial condition, liquidity and future results of operations. Management is actively monitoring the global and local situation on its financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the District is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity for fiscal year 2021. Our results of operations for full year 2022 may be materially adversely affected.

## **11. SUBSEQUENT EVENTS**

Public Wholesale Water Supply District No. 23 evaluated events and transactions occurring subsequent year end, and there were no subsequent events requiring recognition in the financial statement.

## **SUPPLEMENTARY INFORMATION**

**PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 23**

Fredonia, Kansas

Water Utility Fund

Schedule of Receipts and Expenditures - Actual

Regulatory Basis

For the Year Ended December 31, 2021

(With Comparative Actual Amounts for the Prior Year Ended December 31, 2020)

	Prior Year Actual	Current Year Actual
Receipts		
Charges for Services		
Water Sales	\$ 2,320,013.79	\$ 2,311,299.14
Use of Money and Property	-	
Interest on Idle Funds	12,707.92	524.81
Bond Proceeds	-	75,613.78
Intergovernmental		
Federal Grant - PPP Loan Proceeds	-	56,970.52
Other Receipts		
Insurance Proceeds	21,646.53	-
Miscellaneous Income	417.22	4,377.40
Reimbursements	33,605.10	611,080.44
Operating Transfers From		
Water Utility Project Fund	-	638,166.04
Total Receipts	2,388,390.56	3,698,032.13
Expenditures		
Operating Expenditures		
Personal Services		
Salaries and Fringe	277,956.99	356,731.39
Contractual Services		
Mileage/Vehicle Expense	11,616.35	21,091.38
Contract Labor	21,246.85	8,323.29
Legal and Professional	19,647.37	151,384.09
Utilities	160,815.45	182,946.69
Dues, Subscriptions, and Meetings	925.27	757.06
Permits	1,034.00	1,048.28
Insurance	58,565.00	72,531.00
Misc	5.12	5.48
Commodities		
Chemicals	331,998.70	318,575.06
Supplies	37,089.27	42,856.64
Capital Outlay		
Capital Outlay	189,923.85	305,061.81

**PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 23**

Fredonia, Kansas

Water Utility Fund

Schedule of Receipts and Expenditures - Actual

Regulatory Basis

For the Year Ended December 31, 2021

(With Comparative Actual Amounts for the Prior Year Ended December 31, 2020)

	Prior Year Actual	Current Year Actual
Operating Transfers To:		
Water Utility Principal and Interest Fund	\$ 1,294,608.00	\$ 1,294,608.00
Water Utility Replacement Reserve Fund	-	575,073.76
Water Utility Bond Reserve Fund	61,920.00	-
Water Utility Project Fund	203,081.20	-
Total Expenditures	2,670,433.42	3,330,993.93
Receipts Over (Under) Expenditures	(282,042.86)	367,038.20
Unencumbered Cash, Beginning	1,225,841.26	943,798.40
Unencumbered Cash, Ending	<u>\$ 943,798.40</u>	<u>\$ 1,310,836.60</u>

**PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 23**

Fredonia, Kansas

Water Utility Bond Reserve Fund

Schedule of Receipts and Expenditures - Actual

Regulatory Basis

For the Year Ended December 31, 2021

(With Comparative Actual Amounts for the Prior Year Ended December 31, 2020)

	Prior Year Actual	Current Year Actual
Receipts		
Use of Money and Property		
Interest Income	\$ 1,562.15	\$ 678.49
Operating Transfers From Water Utility Fund	61,920.00	575,073.76
Total Receipts	63,482.15	575,752.25
Expenditures		
Capital Improvements		
Capital Outlay	-	-
Operating Transfers To Water Utility Principal and Interest Fund	-	-
Total Expenditures	-	-
Receipts Over (Under) Expenditures	63,482.15	575,752.25
Unencumbered Cash, Beginning	772,743.50	836,225.65
Unencumbered Cash, Ending	\$ 836,225.65	\$ 1,411,977.90

**PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 23**

Fredonia, Kansas

Water Utility Replacement Reserve Fund

Schedule of Receipts and Expenditures - Actual

Regulatory Basis

For the Year Ended December 31, 2021

(With Comparative Actual Amounts for the Prior Year Ended December 31, 2020)

	Prior Year Actual	Current Year Actual
Receipts		
Use of Money and Property		
Interest Income	\$ 232.62	\$ 58.62
Operating Transfers From Water Utility Fund	-	-
Total Receipts	232.62	58.62
Expenditures		
Capital Improvements		
Capital Outlay	-	-
Total Expenditures	-	-
Receipts Over (Under) Expenditures	232.62	58.62
Unencumbered Cash, Beginning	116,990.03	117,222.65
Unencumbered Cash, Ending	\$ 117,222.65	\$ 117,281.27

**PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 23**

Fredonia, Kansas

Water Utility Principal and Interest Fund

Schedule of Receipts and Expenditures - Actual

Regulatory Basis

For the Year Ended December 31, 2021

(With Comparative Actual Amounts for the Prior Year Ended December 31, 2020)

	Prior Year Actual	Current Year Actual
Receipts		
Use of Money and Property		
Interest Income	\$ 4,367.35	\$ 1,186.69
Bond Proceeds	-	6,412,261.22
Operating Transfers From Water Utility Fund	1,294,608.00	1,294,608.00
Total Receipts	1,298,975.35	7,708,055.91
Expenditures		
Debt Service		
Interest	530,982.83	6,914,770.78
Principal	760,161.76	730,547.90
Operating Transfers To: Water Utility Principal and Interest Fund	1,294,608.00	-
Total Expenditures	1,291,144.59	7,645,318.68
Receipts Over (Under) Expenditures	7,830.76	62,737.23
Unencumbered Cash, Beginning	524,933.71	532,764.47
Unencumbered Cash, Ending	\$ 532,764.47	\$ 595,501.70

**PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 23**

Fredonia, Kansas

Water Utility Project Fund

Schedule of Receipts and Expenditures - Actual

Regulatory Basis

For the Year Ended December 31, 2021

(With Comparative Actual Amounts for the Prior Year Ended December 31, 2020)

	Prior Year Actual	Current Year Actual
Receipts		
Intergovernmental		
Federal Grant - Rural Development	\$ 1,405,631.48	\$ 688,312.58
Use of Money and Property		
Interest Income	330.95	436.49
Bond Proceeds - Rural Development	-	2,960,000.00
Operating Transfers From		
Water Utility Fund	203,081.20	-
Total Receipts	1,609,043.63	3,648,749.07
Expenditures		
Contractual Services		
Permits	-	60.00
Capital Improvements		
Capital Outlay	1,081,728.53	2,854,775.59
Operating Transfers to		
Water Utility Fund	-	638,166.04
Total Expenditures	1,081,728.53	3,493,001.63
Receipts Over (Under) Expenditures	527,315.10	155,747.44
Unencumbered Cash, Beginning	(431,286.40)	96,028.70
Unencumbered Cash, Ending	\$ 96,028.70	\$ 251,776.14

**PUBLIC WHOLESALE WATER SUPPLY DISTRICT #23**

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2021

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL CFDA NUMBER	PROVIDED TO SUB RECIPIENTS	CASH RECEIPTS	DISBURSE- MENTS/ EXPENDITURES
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>					
Direct Programs:					
Water and Waste Disposal Systems for Rural Communities	N/A	10.760	\$ -	\$ 3,648,312.58	\$ 3,445,231.38
Total U.S. Department of Agriculture			-	3,648,312.58	3,445,231.38
TOTAL ALL PROGRAMS			\$ -	\$ 3,648,312.58	\$ 3,445,231.38

NOTE A -- BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal activity of Public Wholesale Water Supply District #23 and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statement.

NOTE B -- INDIRECT COSTS

The Public Wholesale Water Supply District #23 did not elect to use the 10% de minimis cost rate.

# JARRED, GILMORE & PHILLIPS, PA

Certified Public Accountants

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Public Wholesale Water Supply District No. 23  
Fredonia, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of Public Wholesale Water Supply District No. 23, as of and for the year ended December 31, 2021, and the related notes to the financial statement, which collectively comprise Public Wholesale Water Supply District No. 23's basic financial statement and have issued our report thereon dated June 17, 2022.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statement, we considered Public Wholesale Water Supply District No. 23's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Public Wholesale Water Supply District No. 23's internal control. Accordingly, we do not express an opinion on the effectiveness of Public Wholesale Water Supply District No. 23's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Public Wholesale Water Supply District No. 23's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Public Wholesale Water Supply District No. 23's Response to Findings**

Public Wholesale Water Supply District No. 23's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Public Wholesale Water Supply District No. 23's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants

June 17, 2022  
Chanute, Kansas

# JARRED, GILMORE & PHILLIPS, PA

Certified Public Accountants

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Mayor and District Council  
Public Wholesale Water Supply District No. 23

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited the Public Wholesale Water Supply District No. 23's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the Public Wholesale Water Supply District No. 23's major federal programs for the year ended December 31, 2021. The Public Wholesale Water Supply District No. 23's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Public Wholesale Water Supply District No. 23, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Public Wholesale Water Supply District No. 23 and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Public Wholesale Water Supply District No. 23's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Public Wholesale Water Supply District No. 23's federal programs.

#### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Public Wholesale Water Supply District No. 23's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal

control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Public Wholesale Water Supply District No. 23's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit
- Identify and assess the risks of material noncompliance, 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 Public Wholesale Water Supply District No. 23's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Public Wholesale Water Supply District No. 23's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Public Wholesale Water Supply District No. 23's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during our audit.

#### **Report on Internal Control Over Compliance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

**Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants

Chanute, Kansas  
June 17, 2022

**PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 23**

Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2021

**I. SUMMARY OF AUDITORS' RESULTS**

**Financial Statement:**

The auditors' report expresses a modified opinion in accordance with generally accepted accounting principles, on the financial statement of Public Wholesale Water Supply District No. 23 and an unmodified opinion on the regulatory basis of accounting.

**Internal Control over Financial Reporting:**

Material weakness(es) identified?	<u>  X  </u>	Yes	<u>      </u>	No
Significant deficiencies identified?	<u>      </u>	Yes	<u>  X  </u>	None Reported
Non compliance or other matters required to be reported under <i>Government Auditing Standards</i>	<u>      </u>	Yes	<u>  X  </u>	No

**Federal Awards:**

Internal control over major programs:				
Material weakness(es) identified?	<u>      </u>	Yes	<u>  X  </u>	No
Significant deficiencies identified?	<u>      </u>	Yes	<u>  X  </u>	None Reported

The auditors' report on compliance for the major federal award programs for Public Wholesale Water Supply District No. 23 expresses an unmodified opinion.

Any audit findings disclosed that are required to  
be reported in accordance with Uniform Guidance?        Yes   X   No

Identification of major programs:

**U.S. DEPARTMENT OF AGRICULTURE**

Water & Waste Disposal Systems for Rural Communities – CFDA No. 10.760

The threshold for distinguishing Types A and B programs was \$750,000.00.

Auditee qualified as a low risk auditee?        Yes   X   No

**II. FINDINGS – FINANCIAL STATEMENT AUDIT**

**Finding 2021-001 – Segregation of Duties**

*Criteria:* Internal controls should be designed to safeguard assets and help or detect losses from employee dishonesty or error.

*Condition:* Due to the small staff size of the District, weakness in internal control results from the District personnel performing billings, receipting cash, making deposits, reconciling the bank accounts, and having access to all books and records of the District.

**PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 23**

Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2021

**II. FINDINGS – FINANCIAL STATEMENT AUDIT** (Continued)

*Cause:* Limited funding and staffing does not allow for the proper segregation of duties.

*Effect or Potential Effect:* The deficiencies in the design and operation of the internal controls in this area could allow for the misappropriation of funds to go undetected in a timely manner.

*Recommendation:* We remind the District staff responsible for approval and the signing of any financial information to be diligent in your responsibilities. All financial activity approved should be thoroughly reviewed before approval.

*Views of responsible officials and planned corrective action:* Management is in agreement and will implement a corrective action plan.

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

NONE

**PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 23**

Summary Schedule of Prior Audit Findings  
For the Year Ended December 31, 2021

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December 31, 2021:

**Finding 2020-001** – Segregation of Duties

*Recommendation:*

We recommend segregating the duties of collecting cash receipts, purchasing, and check preparation, which may require hiring additional accounting staff. We also recommend an increased involvement by the Board of Directors in oversight and monitoring.

*Status:*

Repeat finding, see 2021-001

# Public Wholesale Water Supply District No. 23

## Corrective Action Plan

June 17, 2022

Cognizant or Oversight Agency for Audit

Public Wholesale Water Supply District No. 23 respectfully submits the following corrective action plan for the year ended December 31, 2021.

Name and address of independent public accounting firm: Jarred, Gilmore & Phillips, PA, P.O. Box 779, 1815 S Santa Fe, Chanute, Kansas 66720.

Audit period: Year ended December 31, 2021.

The findings from the June 17, 2022 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule of findings and questioned costs.

### **Finding 2021-001 – Segregation of Duties**

#### *Recommendation:*

We recommend segregating the duties of collecting cash receipts, purchasing, and check preparation, which may require hiring additional accounting staff. We also recommend an increased involvement by the Board of Directors in oversight and monitoring.

#### *Project's response:*

The District is aware of the limited segregation of duties and will continue to look for opportunities to mitigate the risk by having others within the entity monitor staff's activities. Staffing is limited and the District has evaluated the cost/benefit of hiring additional staff, which is not practical at this time.

If the Oversight Agency for Audit has questions regarding this plan, please call Jack Hughes, Treasurer at (620) 421-6527.

Sincerely,

*PWWSD #23*

Public Wholesale Water Supply District No. 23