PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 25

FINANCIAL STATEMENTS

Year Ending December 31, 2023

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PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 25

Financial Statements
Year ending December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Public Wholesale Water Supply District No. 25

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of Public Wholesale Water Supply District No. 25, Douglas County, Kansas (the District), as of and for the year ending December 31, 2023 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of as of December 31, 2023 and the respective changes in financial position and cash flows thereof for the year ending in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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 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 audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date.

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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 amount and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, 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
Required Supplementary Information

The District has omitted the management 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 an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

March 18, 2024

PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 25

STATEMENT OF NET POSITION - PROPRIETARY FUND
December 31, 2023

Assets	
Current assets:	
Cash and cash equivalents	$ 94,047
Total current assets	94,047
Noncurrent assets:	
Capital assets, nondepreciable	
Land	761,261
Capital assets, depreciable	22,533,570
Less: accumulated depreciation	[2,408,549]
Total noncurrent assets	20,886,282
Total assets	$ 20,980,329
Liabilities	
Current liabilities:	
Accrued interest	$ 78,089
Current portion of bonds payable	323,675
Total current liabilities	401,764
Noncurrent liabilities:	
Bonds payable, less current portion	16,321,223
Total noncurrent liabilities	16,321,223
Total liabilities	$ 16,722,987
Net Position:	
Net investment in capital assets	$ 4,241,384
Unrestricted	15,958
Total net position	$ 4,257,342

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

PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 25

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
CHANGES IN NET POSITION - PROPRIETARY FUND
For the Year Ended December 31, 2023

Operating revenues	
Water Sales	$ 1,038,449
Total operating revenues	1,038,449
Operating expenses	
Insurance	41,106
Supplies and other expenses	231,392
Chemicals and lime	314,711
Testing and related expenses	15,490
Other contractual	276,256
Legal and professional	15,667
Mempership dues	3,596
Repairs	146,922
Depreciation expense	575,369
Total operating expenses	1,620,509
Operating income [loss]	[582,060]
Nonoperating revenues [expenses]	
Contributed capital	696,000
Investment revenue	12,187
Loss on sale of assets	[20,469]
Interest expense	[408,026]
Total nonoperating revenues [expenses]	279,692
Change in net position	[302,368]
Net position - beginning of year	4,559,710
Net position - end of year	$ 4,257,342

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

PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 25

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended December 31, 2023

Cash flows from operating activities	
Cash received	$ 1,038,449
Cash paid to suppliers of goods or services	[1,045,140]
Net cash provided by [used in] operating activities	[6,691]
Cash flows from capital and related financing activities	
Contributed capital	696,000
Purchase and construction of capital assets	[71,939]
Principal repayment	[316,133]
Interest paid	[409,246]
Net cash provided by [used in] capital and related financing activities	[101,318]
Cash flows from investing activities	
Interest received	12,187
Net cash provided by [used in] investing activities	12,187
Net increase [decrease] in cash and cash equivalents	[95,822]
Cash and cash equivalents, January 1	189,869
Cash and cash equivalents, December 31	$ 94,047
Reconciliation of operating income [loss] to net cash provided [used in] operating activities	
Operating income [loss]	$ [582,060]
Adjustments to reconcile operating income [loss] to net cash provided by [used in] operating activities	
Depreciation expense	575,369
Net cash provided by [used in] operating activities	$ [6,691]

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

PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 25

NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2023

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Public Wholesale Water Supply District No. 25 (the District) is a wholesale water utility that provides wholesale domestic water service. The District was organized under authority of State Law, K.S.A. 19-3501 et. seq. Its purpose is to develop and ultimately operate a public water supply system that can deliver water to wholesale members. Its members currently consist of 2 entities: Rural Water District No. 5, Douglas County, and Rural Water District No. 5, Osage County. These Districts together serve an area located south and west of the City of Lawrence, Kansas. Collectively, they provide drinking water to approximately 10,000 persons, including farmers, ranchers, homeowners, and small businesses throughout their respective districts.

B. Government-wide and Fund Financial Statements

The statement of net position and the statement of revenues, expenses, and changes in net position report information on the District as a whole. All activities of the District are business-type activities operated as a single proprietary fund.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The District's financials are prepared in accordance with generally accepted accounting principles (GAAP) for an enterprise fund using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. Operating revenues and expenses generally result from providing services. All other revenues and expenses not meeting this definition are nonoperating. The statement of cash flows provides information about how the District meets the cash flow needs of its activities.

D. Cash and Cash Equivalents

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments (including certificates of deposits) with original maturities of twelve months or less from the date of acquisition.

The District invests its unrestricted cash in a financial institution in northeast Kansas.

E. Capital Assets

In early 2012, the District was granted a “direct loan” from the USDA and financing was reserved for a public water supply system. The project was substantially completed in October 2019 and the costs moved from construction in process to the appropriate asset category.

Property, plant and equipment of the District are depreciated using the straight-line method over the following useful lives:

	Policy	Method	Life
Wells	$ 5,000	Straight Line	10 to 40 years
Distribution Lines	$ 5,000	Straight Line	10 to 40 years
Meters	$ 5,000	Straight Line	10 years
Structures	$ 5,000	Straight Line	40 years
Equipment	$ 5,000	Straight Line	10 to 30 years
Plumbing	$ 5,000	Straight Line	3 to 10 years
Purification	$ 5,000	Straight Line	10 to 20 years
Furniture & Fixtures	$ 5,000	Straight Line	3 to 10 years
Miscellaneous	$ 5,000	Straight Line	3 to 10 years

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Capital Contributions from Founding Members

In the current and prior years, three (3) rural water districts made capital contributions to the District. The total contributions of each District through December 31, 2023, were as follows:

Rural Water District No. 2, Douglas County	$ 102,000
Rural Water District No. 5, Douglas County	1,901,764
Rural Water District No. 5, Osage County	1,901,764
Total Contributions	$3,905,528

G. Net Position

The District's net position is displayed in three components as follows:

Net Investment in Capital Assets - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislations.

Unrestricted - This consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

H. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Income Taxes

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

Note 2. DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Equivalents

Cash and cash equivalents consist of the following as of December 31, 2023:

Checking	$ 51,142
Money Market	42,905
Total Cash and Cash Equivalents	$ 94,047

Note 2. DETAILED NOTES ON ALL FUNDS (Continued)

B. 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 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, except during designated 'peak periods' when required coverage is 50%. All deposits were legally secured as of December 31, 2023.

As of December 31, 2023 the District's carrying amount of deposits was $94,047 and the bank balance was $96,785. The bank balance was held in one bank resulting in a concentration of credit risk. The entire bank balance was covered by federal depository insurance.

C. Capital Assets

Capital asset activity for the year ended December 31, 2023 was as follows:

	Balance January 1, 2023	Additions	Deletions	Balance December 31, 2023
Nondepreciable assets:				
Land	$ 764,127	$ -	$ -	$ 764,127
Depreciable assets:				
Structures	22,298,925	31,256	-	22,330,181
Equipment	193,955	40,683	[34,115]	200,523
Total capital assets	23,257,007	71,939	[34,115]	23,294,831
Less accumulated depreciation for:				
Structures	544,343	558,596	-	1,102,939
Equipment	1,302,483	16,773	[13,646]	1,305,610
Total accumulated depreciation	1,846,826	575,369	[13,646]	2,408,549
Capital assets, net	$21,410,181	$ [503,430]	$ [20,469]	$ 20,886,282

Current year depreciation expense was $575,369.

Note 2. DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-Term Liabilities

The following table details changes in the District's long-term obligations during the year:

	Balance January 1, 2023	Additions	Reductions	Balance December 31, 2023	Amounts Due Within One Year
Water System Revenue Bonds					
Series 2016 A	$ 5,542,293	$ -	$107,785	$ 5,434,508	$110,344
Series 2016 B	7,453,076	-	144,944	7,308,132	148,387
Series 2020 A	3,000,000	-	45,750	2,954,250	47,008
Series 2020 B	965,661	-	17,654	948,007	17,936
Total	$16,961,030	$ -	$316,133	$ 16,644,897	$323,675

Long-term obligations of the District consist of the following as of December 31, 2023:

Revenue Bonds	Interest Rate	Amount Outstanding	Original Amount	Date of Issue	Final Maturity
Series 2016 A	2.375%	$ 5,434,508	$ 5,949,000	12/28/2016	12/28/2056
Series 2016 B	2.375%	7,308,132	8,000,000	12/28/2016	12/28/2056
Series 2020 A	2.750%	2,954,250	3,000,000	1/27/2020	1/27/2060
Series 2020 B	1.875%	948,007	1,000,000	12/28/2020	12/28/2060
Total Revenue Bonds		$16,644,897	$17,949,000		

Future revenue bond maturities as of December 31, 2023 are as follows:

Year Ending December 31,	Principal	Interest	Total
2024	$ 323,676	$ 401,703	$ 725,379
2025	331,498	394,100	725,598
2026	339,461	385,918	725,379
2027	347,616	377,763	725,379
2028	355,923	369,456	725,379
2029 - 2033	1,912,314	1,714,974	3,627,288
2034 - 2038	2,153,567	1,473,498	3,627,065
2039 - 2043	2,425,448	1,201,595	3,627,043
2044 - 2048	2,731,850	895,170	3,627,020
2049 - 2053	3,077,256	549,806	3,627,062
2054 - 2058	2,330,504	173,690	2,504,194
2059 - 2060	315,784	12,160	327,944
	$ 16,644,897	$ 7,949,833	$ 24,594,730

Note 2. DETAILED NOTES ON ALL FUNDS (Continued)

E. Net Investment in Capital Assets

The following represents the net position of the District reported as net investment in capital assets as of December 31, 2023:

Capital assets, net of depreciation	$ 20,886,282
Revenue bonds outstanding at year end	[16,644,898]
Net investment in capital assets	$ 4,241,384

Note 3. OTHER INFORMATION

A. Commitments and Contingencies Litigation

The District's management and legal counsel anticipate that the potential claims against the District not covered by insurance, if any, would not materially affect the financial position of the District.

B. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; business interruptions; errors and omissions and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded the commercial coverage in any of the three preceding years. There have not been significant reductions in coverage from prior years.

C. Contracts

The District has water rights from 3 well fields to the east of Lawrence adjacent to the Kansas River. These water rights grant the District 2,074 acre-feet of water annually to treat and sell to member entities. The District also has water purchase contracts with Rural Water District No. 5, Douglas County and Rural Water District No. 5, Osage County, that are 40-year contracts for these member entities to purchase water from the District. These contracts allow both entities to purchase up to 1 million gallons per day.

The District will produce 100% of its water supply from 3 well fields and a water treatment plant owned by the District. These facilities lie in the Kansas River Valley just to the east of Lawrence, Kansas. There are no other suppliers of water available to the District, although each of the member entities has backup sources of water. The District does not currently have any employees and is paying Rural Water District No. 5, Douglas County a management fee for services provided to the District.

The District uses the services of two plant operators who are technically employed by Rural Water District No. 5, Douglas County (RWD #5). The District has a contract in place in which they reimburse RWD #5 for a portion of these payroll costs. The District reimbursed RWD #5 a total of $275,890 under this contract during the year ended December 31, 2023.