PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 8

Independent Auditor's Report and
Financial Statement with
Supplementary Information

For the Year Ended
December 31, 2022

PUBLIC WHOLESALE WATER SUPPLY
DISTRICT NO. 8

El Dorado, Kansas

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JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Public Wholesale Water Supply District No. 8
El Dorado, Kansas

Adverse and Unmodified Opinions
We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Public Wholesale Water Supply District No. 8, as of and for the year ended December 31, 2022 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 Public Wholesale Water Supply District No. 8 as of December 31, 2022, 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 Public Wholesale Water Supply District No. 8 as of December 31, 2022, 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 Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the *Kansas Municipal Audit and Accounting Guide*. 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 opinions.

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 Public Wholesale Water Supply District No. 8 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.

Auditor's 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 opinions. 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 statement.

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 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.

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 schedule of receipts and expenditures-actual and budget-regulatory basis for each individual fund (Schedule 1 as listed in the table of contents) is presented for analysis and is not a required part of the basic financial statement, however is

required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. 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. 8 as of and for the year ended December 31, 2021 (not presented herein), and have issued our report thereon dated April 18, 2022, which contained an unmodified opinion on the basic financial statement. The 2021 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/local-government/municipal-services. The 2021 actual column (2021 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget for the year ended December 31, 2022 (Schedule 1 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 2021 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 2021 basic financial statement. The 2021 comparative information was subjected to the auditing procedures applied in the audit of the 2021 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 2021 basic financial statement or to the 2021 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 2021 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, 2021, on the basis of accounting described in Note 1.

Other Information

The Schedule of Officers and Directors (Schedule 2 as listed in the table of contents) has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Jarred, Gilmore & Phillips, PA

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

Chanute, Kansas
March 4, 2023

Statement 1

PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 8
El Dorado, Kansas
Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2022

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash December 31, 2022
Business Funds:						
Water Utility	$ 209,603.44	$ 253,158.63	$ 320,677.25	$ 142,084.82	$ 21,877.00	$ 163,961.82
Total Reporting Entity	$ 209,603.44	$ 253,158.63	$ 320,677.25	$ 142,084.82	$ 21,877.00	$ 163,961.82

Composition of Cash:	
Community National Bank	
Checking Account	$ 1,461.51
Savings	16,488.54
Certificates of Deposit	146,011.77
Total Cash	$ 163,961.82

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

PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 8
El Dorado, Kansas

Notes to Financial Statement
For the Year Ended December 31, 2022

1. NATURE OF ORGANIZATION

Organization and Purpose
Public Wholesale Water Supply District No. 8 was organized under Kansas law and provides water to rural Butler County in Kansas.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity
Public Wholesale Water Supply District No. 8, El Dorado, Kansas, is a municipal corporation governed by an appointed board, representing each of the participating agencies.

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. 8, El Dorado, Kansas for the year of 2022:

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.)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The 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.

The municipality 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 Taxes

Public Wholesale Water Supply District No. 8, El Dorado, Kansas, is recognized by the Internal Revenue Service as a quasi-municipal corporation, under K.S.A. 88a-616, and is exempt from Federal and state income taxes. Accordingly, these financial statements do not include a provision for income taxes.

Use of Estimates

Estimates and assumptions are used by management in preparing the financial statement. Those estimates and assumptions affect the reporting amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses.

Reimbursed Expenses

K.S.A. 79-2934 provides that reimbursed expenditures, in excess of those budgeted, should be recorded as reductions in expenditures rather than as revenues. In the financial statement and budget comparisons presented in this report, reimbursements and refunds follow these guidelines.

Budgetary Information

Public water districts are not subject to Kansas statutes requiring a legally adopted budget.

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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.

Management is not aware of any other statutory violations.

4. 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 District, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2022.

Deposits - At December 31, 2022, the District's carrying amount of deposits was $163,961.82 and the bank balance was $178,624.21. The bank balance was held at one bank resulting in a concentration of credit risk. Of the bank balance, $178,624.21 was covered by federal depository insurance (FDIC).

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 employees; employees' health and life; and natural disasters. The District manages these risks of loss through the purchase of various insurance policies.

6. CONCENTRATION OF RISK

The District has four customers. During 2022, sales to Rural Water District No. 3 accounted for 82.21% of the water sold. Risk of accounting loss exists from the possibility that a customer would no longer purchase water from the District. Impact of potential risk cannot be determined. The District is subject to the credit risk inherent in the public wholesale water district business.

7. ECONOMIC DEPENDENCY

Currently, the District purchases its water from the City of El Dorado, Kansas. To continue serving its patrons, the District is dependent upon the city to provide adequate, reasonably priced water. Accordingly, the District's operations are dependent upon the ability to purchase water from the City of El Dorado, Kansas.

8. COMMITMENTS

Public Wholesale Water Supply District No. 8 and the City of El Dorado entered into a contract on December 30, 1983 for the term of 40 years. The contract states that the City shall sell water to the District and the District shall purchase water from the City. The District shall not use more than 100,000 cubic feet of water per day without written permission. Future rates charged to the District shall bear the same proportionate ratio to domestic retail consumer rates with the City at the time of any rate change.

9. SUBSEQUENT EVENTS

The District evaluated events and transactions occurring subsequent to December 31, 2022. During this period, there were not subsequent events requiring recognition in the financial statement. Additionally there were no non-recognized subsequent events requiring disclosure.

SUPPLEMENTARY INFORMATION

PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 8
El Dorado, Kansas
Water Utility Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Receipts				
Charges for Services				
Water Sales	$ 258,145.19	$ 251,751.59	$ 265,000.00	$ (13,248.41)
Use of Money and Property				
Interest on Idle Funds	1,287.43	626.01	1,500.00	(873.99)
Other Receipts				
Miscelleaneous	410.49	781.03	500.00	281.03
Total Receipts	259,843.11	253,158.63	$ 267,000.00	$ (13,841.37)
Expenditures				
Personal Services				
Salaries	19,582.15	20,260.87	$ 19,000.00	$ 1,260.87
Payroll Tax	1,493.50	2,143.44	1,500.00	643.44
Commodities				
Water Purchased	205,948.22	215,004.95	216,000.00	(995.05)
Office Supplies	-	-	455.00	(455.00)
Contractual Services				
Auditing	3,375.00	3,400.00	3,375.00	25.00
Utilities & Telephone	23,164.64	21,431.70	22,000.00	(568.30)
Administration Expense	2,700.03	1,380.56	-	1,380.56
Dues	-	-	250.00	(250.00)
Truck Expense	2,854.81	1,565.16	2,750.00	(1,184.84)
Lab Tests	650.00	710.00	650.00	60.00
Insurance	6,669.90	5,953.00	5,500.00	453.00
Capital Outlay	8,126.31	48,827.57	4,000.00	44,827.57
Total Expenditures	274,564.56	320,677.25	$ 275,480.00	$ 45,197.25
Receipts Over (Under) Expenditures	(14,721.45)	(67,518.62)		
Unencumbered Cash, Beginning	224,324.89	209,603.44		
Unencumbered Cash, Ending	$ 209,603.44	$ 142,084.82		

PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 8

El Dorado, Kansas

Schedule of Insurance Coverage
December 31, 2022

	Date Expires	Amount
Commercial General Liability Schedule:		
General aggregate limit	5/13/2023	$ 1,000,000.00
Products/completed operations aggregate limit		1,000,000.00
Personal and/or advertising injury limit		500,000.00
Each occurrence limit		500,000.00
Damage to Rented Premises (per occurance)		300,000.00
Medical expense limit (any one person)		5,000.00
Buildings and Business Personal Property:		
Pump Station	5/13/2023	302,456.00
Covered 100% with a $2,500 deductible per occurance; policy includes replacement cost coverage		
Generator, Next to Pumphouse		120,981.00
Coinsurance is 90% with a $2,500 deductible per occurance; policy includes replacement cost coverage		
Workers' Compensation:		
Bodily Injury by Accident	5/13/2023	500,000.00
Bodily Injury by Disease (Each employee)		500,000.00
Bodily Injury by Disease (Policy limit)		500,000.00
Linebacker Error & Omissions:		
General aggregate limit	5/13/2023	1,000,000.00
Each Loss (Limit of Liability)		500,000.00
Deductible per loss		1,000.00
Commercial Auto:		
General aggregate limit	5/13/2023	1,000,000.00

Jarred Gilmore Phillips

Board of Directors
Public Wholesale Water Supply District No. 8
El Dorado, Kansas

In planning and performing our audit of the financial statement of Public Wholesale Water Supply District No. 8 as of and for the year ended December 31, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered Public Wholesale Water Supply District No. 8'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. 8's internal control. Accordingly, we do not express an opinion on the effectiveness of Public Wholesale Water Supply District No. 8's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in internal control to be material weaknesses:

Preparation of Financial Statement

Accounting standards states the client must be able to accept responsibility and be able to identify a material misstatement when reviewing the financial statement, including footnotes and supplemental information. This would also include knowing if a required footnote disclosure was missing or not correctly stated. Presently, the District staff does not have the ability to process and prepare the required financial statement, including footnotes. The potential effects of this material weakness could be unrecognized errors on the financial statement. While we recognize that this condition is not unusual for a District your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the District and changes in reporting requirements.

Segregation of Duties

An internal control structure is, quite simply, the procedures and policies in effect which ensure that the District's financial activity is properly recorded, processed, summarized, and reported in the financial statement. A weakness in the control structure occurs when one person is responsible for all of the accounting activities such as performing billings, receipting cash, making deposits, reconciling the bank accounts, and having access to all books and records of the District. Due to small staff size, it is not possible for reviews of daily work to take place, potentially resulting in errors in financial records and reports.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

Chanute, Kansas
March 4, 2023