# PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 20

Sedan, Kansas

Independent Auditor's Report
and Financial Statement with
Supplementary Information

For the Year Ended
December 31, 2022

**PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 20**
Sedan, Kansas
For the Year Ended December 31, 2022

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# JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors
Public Wholesale Water Supply District No. 20
Sedan, 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. 20, Sedan, Kansas, 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 Opinions 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. 20 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. 20 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. 20 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.

***Emphasis of Matter***
As discussed in Note 10 of the financial statement, the December 31, 2021 financial statement has been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

***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 - 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.

***Other 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 costs of operations is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of costs of operations (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
Certified Public Accountants

August 8, 2023
Chanute, Kansas

# PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 20

Sedan, 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 | $ 622,841.83 | $ 869,971.13 | $ 772,650.41 | $ 720,162.55 | $ 26,693.66 | $ 746,856.21 |
| Bond Reserve | 272,955.79 | 1,078.31 | 40,782.31 | 233,251.79 | - | 233,251.79 |
| Bond Principal and Interest Reserve | 150,439.48 | 240,073.25 | 229,045.00 | 161,467.73 | - | 161,467.73 |
| Total Reporting Entity | $ 1,046,237.10 | $ 1,111,122.69 | $ 1,042,477.72 | $ 1,114,882.07 | $ 26,693.66 | $ 1,141,575.73 |

Composition of Cash:

First National Bank of Sedan:

| | |
|---|---|
| Operating Account | $ 178,673.53 |
| Bond and Interest Account | 161,467.73 |
| Escrow Account | 56,701.64 |
| Capital Improvement Account | 82,432.03 |
| Cash Reserve Fund Accounts | 34,099.43 |
| Certificates of Deposit | 628,201.37 |
| Total Cash | $ 1,141,575.73 |

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

**PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 20**
Sedan, Kansas

Notes to Financial Statement
December 31, 2022

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization
Public Wholesale Water Supply District No. 20, Sedan, Kansas, is located in Chautauqua County, Kansas. It is governed by an appointed Board of Directors of 12 members made up of one member from each of their users. The District produces and sells water to twelve (12) users (small cities and rural water districts). Accordingly, the District's operations are dependent upon the economic conditions of the area.

*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. 20, Sedan, 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.)

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 Taxes
Public Wholesale Water Supply District No. 20, Sedan, 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 Kansas income taxes. Accordingly, this financial statement does not present 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 presented in this report, reimbursements and refunds are recorded as revenues. The reimbursements are recorded as cash receipts when received by the District and are often difficult to identify the exact expenditure which they are reimbursing.

Pension Plan
Substantially all full-time District employees are members of the State of Kansas Public Employees Retirement System, which is a multi-employer state-wide pension plan. The District's policy is to fund all pension costs accrued. Such costs to be funded are actuarially determined annually by the State of Kansas.

## 2. 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.

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

| RESERVE ACCOUNTS | REQUIRED AMOUNT | ACTUAL AMOUNT |
|---|---|---|
| Principal and Interest Account for Revenue Bonds, Series 2009 – requires transfers annually of 1/10 of average bond payment until it reaches: | $ 66,475.00 | |
| | 66,475.00 | $ 66,130.72 |

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

| RESERVE ACCOUNTS | REQUIRED AMOUNT | ACTUAL AMOUNT |
|---|---|---|
| Revenue Bonds, Series 2020 requires reserves beginning September 16, 2020 in the amount of: | | |
| | $ 167,100.00 | |
| | 167,100.00 | $ 167,121.07 |
| Total Reserve at December 31, 2022 | $ 233,575.00 | $ 233,251.79 |
| Principal and Interest Account for Revenue Bonds, Series 2009 – requires amounts of 1/6 of principal and interest: | $ 11,012.50 | |
| | 11,012.50 | $ -- |
| Revenue Bonds, Series 2020 requires amounts of 1/4 of principal and 1/2 of interest: | | |
| | 40,511.25 | |
| | 40,511.25 | 161,467.73 |
| Total Reserve at December 31, 2022 | $ 51,523.75 | $ 161,467.73 |

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 income in an amount that will be not less than 110% amount required to be paid by the District in the next succeeding fiscal year on account of both principal and interest of all Water Utility System Bonds of the District at the time outstanding. Net income is defined as gross income less operating expenses, but before any transfers, depreciation and capital expense. For the year ended December 31, 2022, the Water Utility Fund had net income of $351,240.27 which is 153.97% of the principal and interest requirements for 2023 of $228,120.00.

**The District has a reserve 5 year certificate of deposit (CD) that was set up in March 2020 to cover this amount, however interest is only paid upon maturity. Therefore, the current balance of the CD, due to following KMAAG, shows that cash is insufficient to cover the reserve amount, but does have sufficient coverage if the accrued interest was taken into consideration.

**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.

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

*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. All deposits were legally secured at December 31, 2022.

At year-end, the District's carrying amount of deposits was $1,141,575.73 and the bank balance was $1,143,196.47. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, $750,000.00 was covered by FDIC insurance, $393,196.47 was collateralized by pledged securities held by the pledging financial institutions' agent in the District's name.

**4. LONG-TERM DEBT**

Changes in long-term debt for the District for the year ended December 31, 2022, were as follows:

| Issue | Interest Rate | Date of Issue | 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 F, 2009 | 2.500% | 10/21/2009 | $ 1,655,000.00 | 11/18/2049 | $ 1,316,000.00 | $ - | $ 33,000.00 | $ 1,283,000.00 | $ 32,900.00 |
| Series 2020 | 0.75 - 3.00% | 9/16/2020 | 2,565,000.00 | 10/1/2040 | 2,455,000.00 | - | 110,000.00 | 2,345,000.00 | 53,145.00 |
| Total Contractual Indebtedness | | | | | $ 3,771,000.00 | $ - | $ 143,000.00 | $ 3,628,000.00 | $ 86,045.00 |

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

| Issue | 2023 | 2024 | 2025 | 2026 | 2027 | 2028-2032 | 2033-2037 | 2038-2042 | 2043-2047 |
|---|---|---|---|---|---|---|---|---|---|
| Principal | | | | | | | | | |
| Revenue Bonds | | | | | | | | | |
| Paid with Utility Receipts | | | | | | | | | |
| Series F, 2009 | $ 34,000.00 | $ 35,000.00 | $ 36,000.00 | $ 36,000.00 | $ 37,000.00 | $ 200,000.00 | $ 228,000.00 | $ 258,000.00 | $ 292,000.00 |
| Series 2020 | 110,000.00 | 115,000.00 | 115,000.00 | 115,000.00 | 120,000.00 | 620,000.00 | 690,000.00 | 460,000.00 | - |
| Total Principal Payments | 144,000.00 | 150,000.00 | 151,000.00 | 151,000.00 | 157,000.00 | 820,000.00 | 918,000.00 | 718,000.00 | 292,000.00 |
| Interest | | | | | | | | | |
| Revenue Bonds | | | | | | | | | |
| Paid with Utility Receipts | | | | | | | | | |
| Series F, 2009 | 32,075.00 | 31,225.00 | 30,350.00 | 29,450.00 | 28,550.00 | 128,375.00 | 102,050.00 | 72,050.00 | 38,100.00 |
| Series 2020 | 52,045.00 | 50,780.00 | 49,285.00 | 47,675.00 | 45,950.00 | 198,180.00 | 125,735.00 | 27,750.00 | - |
| Total Interest Payments | 84,120.00 | 82,005.00 | 79,635.00 | 77,125.00 | 74,500.00 | 326,555.00 | 227,785.00 | 99,800.00 | 38,100.00 |
| Total Principal and Interest | $ 228,120.00 | $ 232,005.00 | $ 230,635.00 | $ 228,125.00 | $ 231,500.00 | $ 1,146,555.00 | $ 1,145,785.00 | $ 817,800.00 | $ 330,100.00 |

| Principal | 2048-2049 | Totals |
|---|---|---|
| Revenue Bonds | | |
| Paid with Utility Receipts | | |
| Series F, 2009 | | |
| Series 2020 | | |
| | $ 127,000.00 | $ 1,283,000.00 |
| Total Principal Payments | - | 2,345,000.00 |
| Interest | | |
| Revenue Bonds | 127,000.00 | 3,628,000.00 |
| Paid with Utility Receipts | | |
| Series F, 2009 | | |
| Series 2020 | | |
| | 4,775.00 | 497,000.00 |
| Total Interest Payments | - | 597,400.00 |
| Total Principal and Interest | 4,775.00 | 1,094,400.00 |
| | $ 131,775.00 | $ 4,722,400.00 |

## 5. DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

*Plan description. T*he 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 publicly available financial report that includes financial statements 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 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.

State law provides that the employer contribution rates for KPERS 1, 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 for Death and Disability Program) was 8.90% from January 1, 2022 to December 31, 2022 for the fiscal year ended December 31, 2022. Contributions to the pension plan from the District were $14,886.74 for the year ended December 31, 2022.

Net Pension Liability

At December 31, 2022, the District's proportionate share of the collective net pension liability reported by KPERS was $148,089.00. 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, 2021, which was rolled forward to June 30, 2022. 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 these financial statements.

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 or can be obtained as described above.

## 6. 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, 2022.

**6. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS** (Continued)

*Compensated Absences:*
The District's full-time employees are entitled to ten vacation days per year. All employees receive one additional day of vacation each year of employment up to a maximum of twenty total days of vacation time per year.

All full-time employees accrue one sick/personal leave day per month of continuous employment until the maximum (twelve days) have been accrued per year. Unused sick/personal leave up to the maximum is added to the sick time allowable during the following year or years which an employee shall be continuously employed by the District up to a maximum of sixty days.

The District accrues a liability for compensated absences which meet the following criteria:

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 and, is material.

In accordance with the above criteria, the District has estimated a liability for vacation benefits which has been earned, but not taken by District employees of $4,700.80. The District has not estimated a liability for sick/personal leave earned by District employees, as the amounts cannot be reasonably estimated at this time.

**7. CONCENTRATION OF RISK**

The District's customers are limited to six rural water districts and six cities located in Chautauqua county. As such, the risk of accounting loss exists from the possibility that several customers will no longer purchase water from the District.

**8. 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; and natural disasters. The District manages these risks of loss through purchase of various insurance policies.

**9. RELATED PARTY TRANSACTIONS**

All board members of the District are representatives and customers of their respective Water Districts or Cities.

## 10. PRIOR PERIOD ADJUSTMENTS

During the year end reconciliation process, it was discovered some changes listed below needed to correct beginning unencumbered cash balances.

| | |
|---|---|
| Unencumbered Cash, As Reported | $ 1,074,056.77 |
| Less: Adjustments to Accounts Payable | (8,873.74) |
| Unencumbered Cash, as Restated | $ 1,065,183.03 |

The net effect on the prior year Summary Statement of Receipts and Expenditures would have increased expenditures by $8,873.74 for the change in accounts payable.

## 11. SUBSEQUENT EVENTS

The District evaluated events and transactions occurring subsequent year end, and there were no subsequent events requiring recognition in the financial statement. The District did approve to purchase a new Dodge pickup using funds held in reserves.

# SUPPLEMENTARY INFORMATION

# PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 20

Sedan, Kansas

**WATER UTILITY FUND**

Schedule of Receipts and Expenditures - Actual

Regulatory Basis

For the Year Ended December 31, 2022

| | Current Year Actual |
|---|---|
| Receipts | |
| Water Sales | $ 762,128.80 |
| Federal Grant Proceeds | 63,043.86 |
| Miscellaneous Income | 1,320.00 |
| Interest on Idle Funds | 2,696.16 |
| Operating Transfer from Bond Reserve Fund | 40,782.31 |
| Total Receipts | 869,971.13 |
| Expenditures | |
| Personnel | |
| Salaries | 162,144.88 |
| Fringe Benefits | 26,237.46 |
| Contractual | |
| Telephone and Utilities | 97,013.99 |
| Maintenance Expense | 34,549.55 |
| Insurance and Professional Fees | 50,510.22 |
| Office and Lab Expense | 21,841.35 |
| Other Administrative Expense | 14,189.82 |
| Commodities | |
| Fuel | 11,225.44 |
| Chemicals | 91,426.00 |
| Supplies | 12,937.15 |
| Capital Outlay | |
| Capital Outlay | 10,718.55 |
| Operating Transfer to | |
| Bond Principal and Interest Reserve Fund | 239,856.00 |
| Total Expenditures | 772,650.41 |
| Cash Receipts Over (Under) Expenditures | 97,320.72 |
| Unencumbered Cash, Beginning | 622,841.83 |
| Unencumbered Cash, Ending | $ 720,162.55 |

# PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 20

Sedan, Kansas

## BOND RESERVE FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2022

| | Current Year Actual |
|---|---|
| Receipts | |
| Interest on Idle Funds | $ 1,078.31 |
| Total Receipts | 1,078.31 |
| Expenditures | |
| Operating Transfer to Water Utility Fund | 40,782.31 |
| Total Expenditures | 40,782.31 |
| Cash Receipts Over (Under) Expenditures | (39,704.00) |
| Unencumbered Cash, Beginning | 272,955.79 |
| Unencumbered Cash, Ending | $ 233,251.79 |

# PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 20

Sedan, Kansas

## BOND PRINCIPAL AND INTEREST RESERVE FUND

Schedule of Receipts and Expenditures - Actual

Regulatory Basis

For the Year Ended December 31, 2022

| | Current Year Actual |
|---|---|
| Receipts | |
| Interest on Idle Funds | $ 217.25 |
| Operating Transfer from Water Utility Fund | 239,856.00 |
| Total Receipts | 240,073.25 |
| Expenditures | |
| Debt Service | |
| Principal | 143,000.00 |
| Interest | 86,045.00 |
| Total Expenditures | 229,045.00 |
| Cash Receipts Over (Under) Expenditures | 11,028.25 |
| Unencumbered Cash, Beginning | 150,439.48 |
| Unencumbered Cash, Ending | $ 161,467.73 |

**Schedule 2**

## PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 20

Sedan, Kansas

Schedule of Cost of Operations
For the Year Ended December 31, 2022

| | Current Year Totals | Cost of Operations | Administration |
|---|---|---|---|
| Expenses | | | |
| Salaries | $ 162,144.88 | $ 133,005.98 | $ 29,138.90 |
| Fringe Benefits | 26,237.46 | 11,236.70 | 15,000.77 |
| Chemicals & Fuel | 102,651.44 | 102,651.44 | - |
| Telephone and Utilities | 97,013.99 | 94,980.08 | 2,033.91 |
| Maintenance Expense | 34,549.55 | 34,549.55 | - |
| Insurance and Professional Fees | 50,510.22 | 3,021.53 | 47,488.69 |
| Office and Lab Expense | 21,841.35 | 21,841.35 | - |
| Miscellaneous Expense | 27,126.97 | - | 27,126.97 |
| Debt Service | 229,045.00 | 229,045.00 | - |
| Capital Outlay | 10,718.55 | 10,718.55 | - |
| Total Expenses | 761,839.41 | 641,050.17 | 120,789.24 |
| Adjustments: | | | |
| Less: Debt Service | (229,045.00) | (229,045.00) | - |
| Less: Capital Equipment | (10,718.55) | (10,718.55) | - |
| Total Operating Expenses | $ 522,075.86 | $ 401,286.62 | $ 120,789.24 |
| Gallons of Water Produced | 143,279,600 | 143,279,600 | 143,279,600 |
| Cost Per 1000/Gallons | $ 3.64 | $ 2.80 | $ 0.84 |

Jarred Gilmore Phillips

Public Wholesale Water
Supply District No. 20
Sedan, Kansas

In planning and performing our audit of the financial statement of Public Wholesale Water Supply District No. 20 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. 20'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. 20's internal control. Accordingly, we do not express an opinion on the effectiveness of Public Wholesale Water Supply District No. 20'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 entity'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

In prior years, the auditor was considered the compensating control for preparation of the District's financial statement, including footnotes. However, professional standards do not allow the auditor to be a compensating internal control for the District. The new standard states the client must be able to accept responsibility and be able to identify a material misstatement when handed the financial statement, including footnotes. 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. 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 receipt of cash, preparing the bank deposits, reconciling the bank account to the ledger book, and preparing cash payments. We would remind the District board members responsible for approval and the signing of checks to be diligent in his/her responsibilities. All disbursements approved should have original invoices attached and should be reviewed thoroughly before approval.

This communication is intended solely for the information and use of management, the Board of Directors, and others within Public Wholesale Water Supply District No. 20, and is not intended to be, and should not be, used by anyone other than these specified parties.

Jarred, Gilmore & Phillips, PA

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

August 8, 2023
Chanute, Kansas