



**PUBLIC WHOLESALE WATER SUPPLY  
DISTRICT NO. 18**

**JACKSON COUNTY, KANSAS**

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

DECEMBER 31, 2022 and 2021

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# Independent Auditor's Report

To the Board of Directors  
Public Wholesale Water Supply District No. 18  
Jackson County, Kansas

## Opinion

We have audited the financial statements of Public Wholesale Water Supply District No. 18, Jackson County, Kansas, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial, which collectively comprise Public Wholesale Water Supply District No. 18, Jackson County, Kansas' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Public Wholesale Water Supply District No. 18, Jackson County, Kansas as of December 31, 2022 and 2021, and change in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Public Wholesale Water Supply District No. 18, Jackson County, Kansas, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Public Wholesale Water Supply District No. 18, Jackson County, Kansas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher

than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Public Wholesale Water Supply District No. 18, Jackson County, Kansas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Public Wholesale Water Supply District No. 18, Jackson County, Kansas' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Required Supplementary Information**

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Public Wholesale Water Supply District No. 18, Jackson County, Kansas' basic financial statements. The supplemental information on pages 11 and 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

SSC CPAs, P.A.

SSC CPAs, P.A.

Topeka, Kansas

February 9, 2023

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

December 31,	2022	2021
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,644,901	\$ 1,478,342
Unbilled receivables	88,597	83,229
Prepaid insurance	8,801	8,801
<b>Total current assets</b>	<b>1,742,299</b>	<b>1,570,372</b>
<b>Noncurrent assets</b>		
Restricted cash and cash equivalents	574,547	574,270
Capital assets, net	3,738,668	3,943,863
Intangible assets, net	45,013	47,341
<b>Total noncurrent assets</b>	<b>4,358,228</b>	<b>4,565,474</b>
<b>TOTAL ASSETS</b>	<b>\$ 6,100,527</b>	<b>\$ 6,135,846</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>Current liabilities</b>		
Bonds payable - current portion	\$ 244,850	\$ 237,188
Accounts payable	28,147	12,250
Accrued interest	70,394	73,407
<b>Total current liabilities</b>	<b>343,391</b>	<b>322,845</b>
<b>Noncurrent liabilities</b>		
Bonds payable - noncurrent portion	4,455,684	4,700,338
<b>Total noncurrent liabilities</b>	<b>4,455,684</b>	<b>4,700,338</b>
<b>TOTAL LIABILITIES</b>	<b>4,799,075</b>	<b>5,023,183</b>
<b>Net position</b>		
Invested in capital assets, net of related debt	(961,866)	(993,663)
Restricted assets	574,547	574,270
Unrestricted	1,688,771	1,532,056
<b>Total net position</b>	<b>1,301,452</b>	<b>1,112,663</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 6,100,527</b>	<b>\$ 6,135,846</b>

**PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 18****STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION**

For the years ended December 31,	2022	2021
<b>Revenue</b>		
Water sales	\$ 1,014,265	\$ 961,019
<b>Total revenue</b>	<b>1,014,265</b>	<b>961,019</b>
<b>Expenses</b>		
Depreciation	213,408	241,409
Amortization of initial facility costs	2,328	2,328
Administration	147,000	147,000
Professional fees	7,675	5,997
Insurance	27,817	27,577
Maintenance and repair	33,973	55,747
Chemicals	117,037	97,953
Supplies	2,694	3,635
Telephone	4,682	4,660
Utilities	131,093	87,969
Dues and fees	250	-
Miscellaneous	10,456	8,580
<b>Total expenses</b>	<b>698,413</b>	<b>682,855</b>
Operating income	315,852	278,164
<b>Other income (expense)</b>		
Interest expense	(139,718)	(146,889)
Interest income	10,224	4,537
Settlement proceeds	-	21,299
Other income	2,431	-
<b>Total other income (expense)</b>	<b>(127,063)</b>	<b>(121,053)</b>
<b>Change in net position</b>	<b>188,789</b>	<b>157,111</b>
<b>Net position, beginning of year</b>	<b>1,112,663</b>	<b>955,552</b>
<b>Net position, end of year</b>	<b>\$ 1,301,452</b>	<b>\$ 1,112,663</b>

**PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 18**

**STATEMENTS OF CASH FLOWS**

For the years ended December 31,	2022	2021
<b>Cash flows from operating activities</b>		
Receipts from customers	\$ 1,008,897	\$ 958,453
Payments to suppliers	(466,780)	(426,868)
Other income	2,431	-
Settlement proceeds	-	211,609
<b>Net cash provided by operating activities</b>	<b>544,548</b>	<b>743,194</b>
<b>Cash flows from investing activities</b>		
Purchase of plant equipment	(8,213)	(27,309)
Interest	10,224	4,537
<b>Net cash provided (used) by investing activities</b>	<b>2,011</b>	<b>(22,772)</b>
<b>Cash flows from capital and related financing activities</b>		
Principal paid on long term capital debt	(236,992)	(230,016)
Interest paid on long term capital debt	(142,731)	(149,813)
<b>Net cash used for capital and related financing activities</b>	<b>(379,723)</b>	<b>(379,829)</b>
Net increase in cash and cash equivalents	166,836	340,593
Cash and cash equivalents, beginning of year	2,052,612	1,712,019
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,219,448</b>	<b>\$ 2,052,612</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
<b>Operating income</b>	<b>\$ 315,852</b>	<b>\$ 278,164</b>
<b>Adjustments to reconcile operating income to:</b>		
<b>Net cash provided by operating activities:</b>		
Depreciation	213,408	241,409
Amortization of initial facility costs	2,328	2,328
Settlement proceeds	-	211,609
Other income	2,431	-
<b>(Increase) decrease in operating assets:</b>		
Accounts receivable	(5,368)	(2,566)
<b>Increase (decrease) in operating liabilities:</b>		
Accounts payable	15,897	12,250
<b>Net cash provided by operating activities</b>	<b>\$ 544,548</b>	<b>\$ 743,194</b>

# **PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 18**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. NATURE OF ORGANIZATION**

#### **Organization and nature of operations**

Public Wholesale Water Supply District No. 18 (the District) was organized under Kansas law and is a joint venture of the City of Holton, Jackson County, Kansas, and Rural Water District No. 3, Jackson County, Kansas. The District was organized as a public wholesale water supply district pursuant to K.S.A. 19-3545 et seq.

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

#### **Basis of accounting**

The District is a governmental organization operated as a business (proprietary) type entity. The District's financial information is accounted for using the economic resources measurement focus and the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America (GAAP).

#### **Cash and cash equivalents**

The District considers all investments with original maturities of three months or less to be cash equivalents.

#### **Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Capital assets**

Capital assets are recorded at cost. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets as follows:

Office equipment	5 - 10 years
Plant and equipment	5 - 40 years

The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

#### **Revenue recognition**

Operating revenues consist of those revenues that result from the ongoing principal operations of the District and are recognized when earned.

#### **Accounts receivable**

Accounts receivable arise from the sale of water and are stated at the unpaid balance. There is no interest charged on unpaid balances. The District considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. In the event accounts become uncollectible, they are charged to operations at the time that determination is made.

#### **Income taxes**

The District is a tax-exempt governmental entity and is not subject to income taxes at either the Federal or State level.

#### **Intangible assets**

Intangible assets consist of certain costs associated with the construction of the initial production facility.



**PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 18****NOTES TO THE FINANCIAL STATEMENTS**

These costs have been capitalized and are being amortized on a straight-line basis over the term of the debt. These costs consisted of the following as of December 31, 2022 and 2021:

	Original Amount	Less: Accumulated Amortization	Balance at December 31, 2022
Initial facility costs	\$ 93,130	\$ (48,117)	\$ 45,013
	\$ 93,130	\$ (48,117)	\$ 45,013

	Original Amount	Less: Accumulated Amortization	Balance at December 31, 2021
Initial facility costs	\$ 93,130	\$ (45,789)	\$ 47,341
	\$ 93,130	\$ (45,789)	\$ 47,341

**3. CAPITAL ASSETS**

Capital assets, together with activity for the years ended December 31, 2022 and 2021, consisted of the following:

	December 31, 2021	Additions	Reductions	December 31, 2022
Capital Assets				
Land	\$ 68,396	\$ -	\$ -	\$ 68,396
Office equipment	28,034	-	-	28,034
Plant and equipment	8,262,537	8,213	-	8,270,750
	8,358,967	8,213	-	8,367,180
Less: Accumulated depreciation for:				
Office equipment	28,034	-	-	28,034
Plant and equipment	4,387,070	213,408	-	4,600,478
	\$ 3,943,863	\$ (205,195)	\$ -	\$ 3,738,668

	December 31, 2020	Additions	Reductions	December 31, 2021
Capital Assets				
Land	\$ 68,396	\$ -	\$ -	\$ 68,396
Office equipment	35,113	-	(7,079)	28,034
Plant and equipment	8,235,227	27,309	-	8,262,537
	8,338,736	27,309	(7,079)	8,358,967
Less: Accumulated depreciation for:				
Office equipment	35,113	-	(7,079)	28,034
Plant and equipment	4,145,661	241,409	-	4,387,070
	\$ 4,157,962	\$ (214,100)	\$ -	\$ 3,943,863

Depreciation expense was \$213,408 and \$241,409 for the years ended December 31, 2022 and 2021, respectively.

**PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 18****NOTES TO THE FINANCIAL STATEMENTS****4. LONG-TERM DEBT**

Long-term debt consists of Water System Revenue Bonds issued to the United States Department of Agriculture Office of Land Development in the amount of \$5,923,700 with a range of maturity dates of 2005 to 2053, with interest rates of 2.5% and 3.32%, payable annually from utility revenues and secured by these revenues. Series 2018, as noted below, was issued as a refunding bond to take advantage of a lower interest rate and refund Series 2002-A.

The following is a detailed listing of the District's long-term debt:

Debt Issue	Date Issued	Original Amount	Interest Rate
Revenue Bonds:			
Series 2013	3/29/2013	\$ 2,793,000	2.50%
Series 2018	3/29/2018	\$ 3,130,700	3.32%

The following is a summary of changes in long-term debt for the years ended December 31, 2022 and 2021:

	Beginning Principal Outstanding	Additions to Principal	Reductions of Principal	Ending Principal Outstanding
December 31, 2022				
Revenue Bonds:				
Series 2013	\$ 2,423,126	\$ -	\$ 50,292	\$ 2,372,834
Series 2018	2,514,400	-	186,700	2,327,700
	<u>\$ 4,937,526</u>	<u>\$ -</u>	<u>\$ 236,992</u>	<u>\$ 4,700,534</u>
December 31, 2021				
Revenue Bonds:				
Series 2013	\$ 2,472,442	\$ -	\$ 49,316	\$ 2,423,126
Series 2018	2,695,100	-	180,700	2,514,400
	<u>\$ 5,167,542</u>	<u>\$ -</u>	<u>\$ 230,016</u>	<u>\$ 4,937,526</u>

The annual debt service requirements to maturity for bonded debt as of December 31, 2022 are as follows:

Year Ending December 31,	Revenue Bonds, Series 2013		Revenue Bonds, Series 2018	
	Principal	Interest	Principal	Interest
2023	\$ 51,750	\$ 59,513	\$ 193,100	\$ 75,706
2024	53,044	58,219	200,100	69,237
2025	54,370	56,893	206,600	62,537
2026	55,729	55,534	213,400	55,627
2027	57,122	54,140	220,600	48,484
2028 - 2032	307,759	248,554	1,190,500	126,628
2033 - 2037	348,201	208,111	103,400	1,716
2038 - 2042	393,958	162,355	-	-
2043 - 2047	445,727	110,586	-	-
2048 - 2052	504,299	52,013	-	-
2053	100,875	2,714	-	-
	<u>\$ 2,372,834</u>	<u>\$ 1,068,632</u>	<u>\$ 2,327,700</u>	<u>\$ 439,935</u>

The District has certain loan covenants within the bond resolution requiring total revenue available for debt service, as defined in the bond agreement, of at least 125% of debt requirements. This amount was 140% for the year ended December 31, 2022. For the year ended December 31, 2021, this amount was 137%. The District last approved a rate increase effective March 2010.

Interest expense on long-term debt totaled \$139,718 and \$146,889 for the years ended December 31, 2022 and 2021, respectively.

## **PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 18**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **5. DEPOSITS**

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. Government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

At December 31, 2022, the carrying amount of the District's deposits, was \$2,219,448 and the bank balance was \$2,234,701, of which \$250,000 was covered by federal deposit insurance and the balance of \$1,984,701 by pledged securities held by a third party.

#### **6. RESTRICTED ASSETS**

Restricted assets at December 31, 2022 and 2021 consisted of the following:

	December 31, 2022
Bond principal and interest	\$ 182,267
Bond reserve account	392,280
	<u>\$ 574,547</u>
	December 31, 2021
Bond principal and interest	\$ 181,990
Bond reserve account	392,280
	<u>\$ 574,270</u>

#### **7. OPERATING CONTRACT**

The District has entered into a contract with the City of Holton (a related party) to provide the day-to-day operation and maintenance of the water treatment facility, including accounting and record keeping services. Dated October 18, 2017, the contract in the amount of \$147,000 per year is for a term of five years. This contract expired in October 2022 and the District and City have been operating on a month-to-month basis under the terms of the old contract. A new contract is being drafted and will be approved in 2023.

#### **8. WATER PURCHASE CONTRACTS**

The District has entered into contracts with the City of Holton and Rural Water District No. 3, Jackson County, Kansas, in which the two parties each agree to purchase no less than 8,146,000 gallons of water per month at 1.54 cents per thousand gallons and to pay a base rate of \$25,000 per month.

#### **9. RISKS AND UNCERTAINTIES**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District joined together with other entities in the State to participate in Employers Mutual Insurance Corp. (EMC), a public entity risk pool currently operating as a common risk management and insurance program for the participating members.

The District pays an annual premium to EMC for its insurance coverage. The agreement to participate provides that EMC will be self-sustaining through member premiums. Additional premiums may be due if total claims for the pool are different than what has been anticipated by EMC management.

**PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 18**  
**NOTES TO THE FINANCIAL STATEMENTS**

**10. COMPLIANCE WITH FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS**

Management is aware of no statutory violations for the period covered by the audit.

**11. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through February 9, 2023, the date which the financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**

**PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 18****INSURANCE COVERAGE (Unaudited)**

The District's insurance policy is provided by EMC and Kellerman Insurance, Inc., with a premium of \$33,335 and covers the period May 1, 2022 to May 1, 2023. It provides the following coverage:

Building (90% coinsurance)	\$	10,141,943
Personal property (90% coinsurance)		248,346
Storage tanks (90% coinsurance)		811,595
Equipment (80% coinsurance)		76,014
General liability		1,000,000/2,000,000
Linebacker		1,000,000/2,000,000
Employee theft		381,000

The District's insurance policy is provided by EMC and Kellerman Insurance, Inc., with a premium of \$30,368 and covers the period May 1, 2021 to May 1, 2022. It provides the following coverage:

Building (90% coinsurance)	\$	9,478,451
Personal property (90% coinsurance)		241,113
Storage tanks (90% coinsurance)		787,956
Equipment (80% coinsurance)		76,014
General liability		1,000,000/2,000,000
Linebacker		500,000/1,000,000
Employee theft		381,000

**PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 18**

CUSTOMERS SERVED (Unaudited)

DECEMBER 31, 2022 and 2021

For the year ended December 31, 2022	Beginning of Year	Changes	End of Year
City of Holton, Kansas (average)	1,562	(5)	1,557
Rural Water District No. 3	1,985	7	1,992
Total	3,547	2	3,549

For the year ended December 31, 2021	Beginning of Year	Changes	End of Year
City of Holton, Kansas (average)	1,556	6	1,562
Rural Water District No. 3	1,961	24	1,985
Total	3,517	30	3,547