SSC CPAs, P.A.

PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 18

JACKSON COUNTY, KANSAS

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

DECEMBER 31, 2023 and 2022

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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 accompanying financial statements of Public Wholesale Water Supply District No. 18, Jackson County, Kansas, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, 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, 2023 and 2022, and change in net position and cash flows thereof 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 12, 2024

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

December 31,	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,781,777	$ 1,644,901
Accounts receivable	81,722	88,597
Prepaid insurance	8,801	8,801
Total current assets	1,872,300	1,742,299
Noncurrent assets		
Restricted cash and cash equivalents	542,594	574,547
Capital assets, net	3,648,091	3,738,668
Intangible assets, net	42,685	45,013
Total noncurrent assets	4,233,370	4,358,228
TOTAL ASSETS	$ 6,105,670	$ 6,100,527
LIABILITIES AND NET POSITION		
Current liabilities		
Bonds payable - current portion	$ 253,144	$ 244,850
Accounts payable	42,579	28,147
Accrued interest	67,287	70,394
Total current liabilities	363,010	343,391
Noncurrent liabilities		
Bonds payable - noncurrent portion	4,202,540	4,455,684
Total noncurrent liabilities	4,202,540	4,455,684
TOTAL LIABILITIES	4,565,550	4,799,075
Net position		
Invested in capital assets, net of related debt	(807,593)	(961,866)
Restricted assets	542,594	574,547
Unrestricted	1,805,119	1,688,771
Total net position	1,540,120	1,301,452
TOTAL LIABILITIES AND NET POSITION	$ 6,105,670	$ 6,100,527

PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 18

STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

For the years ended December 31,	2023	2022
Revenue		
Water sales	$ 1,027,725	$ 1,014,265
Total revenue	1,027,725	1,014,265
Expenses		
Depreciation	184,076	213,408
Amortization of initial facility costs	2,328	2,328
Administration	176,750	147,000
Professional fees	7,812	7,675
Insurance	33,927	27,817
Maintenance and repair	32,057	33,973
Chemicals	147,291	117,037
Supplies	5,233	2,694
Telephone	4,556	4,682
Utilities	143,742	131,093
Dues and fees	280	250
Miscellaneous	7,086	10,456
Total expenses	745,138	698,413
Operating income	282,587	315,852
Other income (expense)		
Interest expense	(131,916)	(139,718)
Interest income	37,997	10,224
Other income	50,000	2,431
Total other income (expense)	(43,919)	(127,063)
Change in net position	238,668	188,789
Net position, beginning of year	1,301,452	1,112,663
Net position, end of year	$ 1,540,120	$ 1,301,452

PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 18

STATEMENTS OF CASH FLOWS

For the years ended December 31,	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 1,034,600	$ 1,008,897
Cash paid to suppliers	(544,302)	(466,780)
Other cash receipts	50,000	2,431
NET CASH PROVIDED BY OPERATING ACTIVITIES	540,298	544,548
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest	37,997	10,224
NET CASH PROVIDED BY INVESTING ACTIVITIES	37,997	10,224
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on long term debt	(244,850)	(236,992)
Interest paid on long term debt	(135,023)	(142,731)
Purchase of capital assets	(93,499)	(8,213)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(473,372)	(387,936)
Net increase in cash and cash equivalents	104,923	166,836
Cash and cash equivalents, beginning of year	2,219,448	2,052,612
Cash and cash equivalents, end of year	$ 2,324,371	$ 2,219,448
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 282,587	$ 315,852
Adjustments to reconcile operating income to:		
Net cash provided by operating activities:		
Depreciation	184,076	213,408
Amortization of initial facility costs	2,328	2,328
Other income	50,000	2,431
(Increase) decrease in operating assets:		
Accounts receivable	6,875	(5,368)
Increase (decrease) in operating liabilities:		
Accounts payable	14,432	15,897
Net cash provided by operating activities activities	$ 540,298	$ 544,548
Reconciliation of cash and cash equivalents to the Statements of Net Position		
Cash and cash equivalents per Statements of Net Position	$ 1,781,777	$ 1,644,901
Restricted cash and cash equivalents per Statements of Net Position	542,594	574,547
Total cash and cash equivalents per Statements of Net Position	$ 2,324,371	$ 2,219,448

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.

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, 2023 and 2022:

	Original Amount	Less: Accumulated Amortization	Balance at December 31, 2023
Initial facility costs	$ 93,130	$ (50,445)	$ 42,685
	$ 93,130	$ (50,445)	$ 42,685

	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

3. CAPITAL ASSETS

Capital assets, together with activity for the years ended December 31, 2023 and 2022, consisted of the following:

	December 31, 2022	Additions	Reductions	December 31, 2023
Capital Assets				
Land	$ 68,396	$ -	$ -	$ 68,396
Office equipment	28,034	-	-	28,034
Plant and equipment	8,270,750	93,499	-	8,364,249
	8,367,180	93,499	-	8,460,679
Less: Accumulated depreciation for:				
Office equipment	28,034	-	-	28,034
Plant and equipment	4,600,478	184,076	-	4,784,554
	$ 3,738,668	$ (90,577)	$ -	$ 3,648,091

	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

Depreciation expense was $184,076 and $213,408 for the years ended December 31, 2023 and 2022, respectively.

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, 2023 and 2022:

December 31, 2023	Beginning Principal Outstanding	Additions to Principal	Reductions of Principal	Ending Principal Outstanding
Revenue Bonds:				
Series 2013	$ 2,372,834	$ -	$ 51,750	$ 2,321,084
Series 2018	2,327,700	-	193,100	2,134,600
	$ 4,700,534	$ -	$ 244,850	$ 4,455,684

December 31, 2022	Beginning Principal Outstanding	Additions to Principal	Reductions of Principal	Ending Principal Outstanding
Revenue Bonds:				
Series 2013	$ 2,423,126	$ -	$ 50,292	$ 2,372,834
Series 2018	2,514,400	-	186,700	2,327,700
	$ 4,937,526	$ -	$ 236,992	$ 4,700,534

The annual debt service requirements to maturity for bonded debt as of December 31, 2023 are as follows:

Year Ending December 31,	Revenue Bonds, Series 2013 Principal	Revenue Bonds, Series 2013 Interest	Revenue Bonds, Series 2018 Principal	Revenue Bonds, Series 2018 Interest
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	58,550	52,712	227,900	41,095
2029 - 2033	315,453	240,860	1,066,000	87,249
2034 - 2038	356,906	199,406	-	-
2039 - 2043	403,807	152,506	-	-
2044 - 2048	456,870	99,443	-	-
2049 - 2053	509,233	39,406	-	-
Total	$ 2,321,084	$ 1,009,119	$ 2,134,600	$ 364,229

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 133% and 140% for the years ended December 31, 2023 and 2022, respectively. The District last approved a rate increase effective March 2010.

Interest expense on long-term debt totaled $131,916 and $139,718 for the years ended December 31, 2023 and 2022, respectively.

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.

Custodial credit risk. 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 at December 31, 2023.

At December 31, 2023, the carrying amount of deposits was $2,324,371 and the bank balance was $2,343,118. The bank balance was held by three banks resulting in concentration of credit risk. Of the bank balance, $451,890 was covered by federal depository insurance and the remaining $1,891,228 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

6. RESTRICTED ASSETS

Restricted assets at December 31, 2023 and 2022 consisted of the following:

		December 31, 2023
Bond principal and interest	$	150,314
Bond reserve account		392,280
	$	542,594

		December 31, 2022
Bond principal and interest	$	182,267
Bond reserve account		392,280
	$	574,547

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 2023 and the District and City operated on a month-to-month basis under the terms of the old contract until May 2023. At that time, a new contract was signed in the amount of $198,000 per year.

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.

10. RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the current year presentation.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 12, 2024, the date on 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 $35,648 and covers the period May 1, 2023 to May 1, 2024. It provides the following coverage:

Building (90% coinsurance)	$	11,054,718
Personal property (90% coinsurance)		260,763
Storage tanks (90% coinsurance)		852,175
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 $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

PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 18
CUSTOMERS SERVED (Unaudited)
DECEMBER 31, 2023 and 2022

For the year ended December 31, 2023	Beginning of Year	Changes	End of Year
City of Holton, Kansas (average)	1,557	(37)	1,520
Rural Water District No. 3	1,992	13	2,005
Total	3,549	(24)	3,525

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