CONSOLIDATED
RURAL WATER DISTRICT #1, INC.
ANDERSON COUNTY, KANSAS

Regulatory Basis Financial Statement,
Independent Auditors' Report, and
Regulatory-Required Supplementary Information
For the Year Ended
December 31, 2025

CONSOLIDATED RURAL WATER DISTRICT #1, INC.,
ANDERSON COUNTY, KANSAS

TABLE OF CONTENTS

	PAGE NUMBER
Independent Auditors' Report	1- 3
Basic Financial Statement:	
Summary Statement of Regulatory Basis Receipts, Expenditures and Unencumbered Cash	4
Notes to the Financial Statement	5 - 9
Regulatory-Required Supplementary Information:	
Schedule 1	
Schedule of Regulatory Basis Receipts and Expenditures – Actual Water Utility Fund	10

D B B

D B B INC.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors and management
Consolidated Rural Water District #1, Inc.
Anderson County, Kansas

Adverse and Unmodified Opinions
We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Consolidated Rural Water District #1, Inc., Anderson County, Kansas (the District), as of and for the fiscal year ended December 31, 2025 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 the District as of December 31, 2025, 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 the District as of December 31, 2025, 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 the District 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 - regulatory basis (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, 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.

Prior Year Comparative Numbers

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the District as of and for the year ended December 31, 2024 (not presented herein), and have issued our report thereon dated February 10, 2025, which contained an unmodified opinion on the basic financial statement. The 2024 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/accounts-reports/local-government/municipal-services. The 2024 actual column (2024 comparative information) presented in the individual fund schedule of receipts and expenditures – regulatory basis – actual for the year ended December 31, 2025 (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 2024 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 2024 basic financial statement. The 2024 comparative information was subjected to the auditing procedures applied in the audit of the 2024 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 2024 basic financial statement or to the 2024 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 2024 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, 2024, on the basis of accounting described in Note 1.

DBB Inc.

DBB Inc.

February 9, 2026
Fort Scott, Kansas

CONSOLIDATED RURAL WATER DISTRICT #1, INC.
ANDERSON COUNTY, KANSAS
Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2025

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
Business Funds:						
Water Utility	$2,139,250.31	$978,848.71	$829,421.39	$2,288,677.63	$65,811.49	$2,354,489.12

Cash in bank - Operating checking account:	
Unrestricted Operating	
Unrestricted Operating	1,067,738.09
Cash in bank - savings	
Unrestricted Operating	779,767.50
Cash in bank - Capital Improvements	506,983.53
Totals	$2,354,489.12

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

CONSOLIDATED RURAL WATER DISTRICT #1, INC.
ANDERSON COUNTY, KANSAS

Notes to Financial Statement
For the Year Ended December 31, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement of Consolidated Rural Water District #1, Inc., Anderson County, Kansas (the District) has been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Kansas Municipal Audit and Accounting Guide (KMAAG) as approved by the Director of the Kansas Division of Accounts and Reports establish the guidelines for the regulatory basis of accounting in the State of Kansas. The more significant of the District's accounting policies follow.

Nature of Organization: The District is located in Anderson County, Kansas. The Anderson County Rural Water District #6, Inc., was organized in the late 1970's to provide water to residents of rural Anderson County. The Municipality began purchasing and selling water in March 1988. In 2004, Anderson RWD #6 consolidated with Anderson RWD #2 to form the Consolidated Rural Water District. The Municipality purchases treated water from the City of Garnett, Kansas (the City) and Public Wholesale Water Supply District #13 (PWWSD #13), and sells the water to approximately 788 customers as of December 31. To continue serving its patrons, the District is dependent upon the City and PWWSD #13 to provide adequate, reasonably priced water. All water sales are made to residents in the area of the District. Accordingly, the District's operations are dependent upon the economic conditions of the area.

Financial Reporting Entity
The District is a municipal corporation governed by an elected nine member council. The financial statement presents Consolidated Rural Water District #1, Inc., Anderson County, Kansas (primary government). There are no separate related municipal entities which should be accounted for in the District's financial statement.

Basis of Presentation and Basis of Accounting
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, restriction, or limitations.

Regulatory Basis Fund Types
The following types of funds comprise the financial activities of the District:

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.).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 receipts 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 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 District to use the regulatory basis of accounting.

Budgetary Information
Kansas statutes do not require budgets for rural water districts.

Deposits and Investments
Deposits and investments include money market checking accounts, a savings account, and certificates of deposit. Kansas statutes permit investments in checking accounts, savings accounts, certificates of deposit, and, in certain cases, obligations of the U.S. Treasury.

Compensated Absences
The District does not provide sick or vacation benefits beyond the year earned.

Income Taxes: The District is recognized by the Internal Revenue Service as a not-for-profit municipality corporation, and is exempt from Federal and State income taxes. Accordingly, this financial statement does not include a provision for income taxes.

Termination and Post Employment Benefits
The District does not offer termination or post employment benefits.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Finance-Related Legal and Contractual Provisions
This financial statement has been prepared in order to show compliance with the cash basis laws and Statutes of the State of Kansas. The District was in apparent compliance with the cash basis laws and Statutes of the State of Kansas.

3. CASH, INVESTMENTS AND DEPOSITS WITH FINANCIAL INSTITUTIONS

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statue 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, but has limited the investments to time deposits at the local bank.

Concentration of credit risk. State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The District does not have any "peak periods" designated. All deposits were legally secured at December 31, 2025.

At December 31, 2025, the District's carrying amount of deposits was $2,354,489.12 and the bank balance was $2,354,489.12. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, $469,221.01 was covered by federal depository insurance and $1,885,268.11 was collateralized with securities totaling $1,995,869.73 held by the pledging financial institutions' agents in the District's name.

4. BENEFIT UNIT DEPOSITS

Customers of the District are required to pay a deposit for a benefit unit prior to connecting to a rural water line. In 2025 there were six new benefit units added totaling $30,000.00.

5. RISK MANAGEMENT

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 manages these risks of loss by carrying various commercial insurance policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

6. FIXED ASSETS

As discussed in Note 1, regulatory basis financial statements do not record property, plant and equipment as assets of the District. In addition, depreciation expense in the assets is not recorded. However, the District does keep track of fixed assets and the depreciation thereon for internal monitoring.

In connection with Fixed Asset accounting, plant and equipment are capitalized at cost and are depreciated on the straight-line method over the estimated useful life of the assets as follows:

Machinery	7 Years
Office Equipment	5 Years
Plant and Equipment	10 to 50 Years

Maintenance and repairs are charged to expense as incurred. Major renewals and improvements are capitalized.

Fixed assets changed for the year as follows:

Fixed Assets	Ending Balance	Additions	Adjustments	Ending Balance
Materials & Construction	$ 4,246,272.61	$ 4,350.00	$ -	$ 4,250,622.61
Office Building	239,490.43	-	-	239,490.43
Engineering Fees	214,030.04	-	-	214,030.04
Legal & Title	54,791.47	-	-	54,791.47
Easements	21,752.50	-	-	21,752.50
Capitalized Interest	33,974.07	-	-	33,974.07
Office Equipment	53,494.83	-	-	53,494.83
Anderson RWD2				
Plant and Improvement	1,260,673.31	-	-	1,260,673.31
Equipment	144,413.21	-	-	144,413.21
	$ 6,268,892.47	$ 4,350.00	$ -	$ 6,273,242.47
Accumulated Depreciation				
Anderson Consolidated RWD 1	$ 3,160,311.41	$ 103,096.74	$ -	$ 3,263,408.15
Anderson RWD2	929,890.27	31,516.83	-	961,407.10
Totals	$ 4,090,201.68	$ 134,613.57	$ -	$ 4,224,815.25

7. ECONOMIC DEPENDENCY

The District purchases water for resale from the City of Garnett, Kansas and Public Wholesale Water Supply District #13. Water purchases for 2025 were as follows:

City of Garnett	$ 306,327.34
PWWSD #13	225,283.30
Total	$ 531,610.64

8. OTHER LONG-TERM OBLIGATIONS

The District entered into water purchase contract with the City of Garnett, Kansas on August 10, 1983 to purchase at least 1,200,000 gallons of water a month from the City for 40 years. Although this contract has expired, the District and the City of Garnett, Kansas continue to operate under this contract.

The District also entered into a water purchase contract with PWWSD #13 to purchase at least 1,600,000 gallons of water per month for 40 years, beginning in November 1997.

9. RETIREMENT PLANS

In 2003, the District established a SEP retirement plan that covers both employees of the District. The District contributes a percentage of the employees' compensation. Contributions for 2025 totaled $4,697.88.

10. SUBSEQUENT EVENTS

Management has evaluated events and transactions occurring subsequent to December 31, 2025 through February 9, 2026, the date of the financial statement. During this period, there were no subsequent events requiring recognition in the financial statements or disclosure in the notes to the financial statement.

REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION

CONSOLIDATED RURAL WATER DISTRICT #1, INC.
ANDERSON COUNTY, KANSAS
WATER UTILITY FUND
Schedule of Receipts and Expenditures - Actual - Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Year Ended December 31, 2024)

	2024 Actual	2025 Actual
Receipts		
Operating Receipts		
Metered water sales	$ 840,243.22	$ 847,958.89
Nonoperating Receipts		
Interest income	77,075.32	93,789.66
Miscellaneous income	5,225.91	7,100.16
Benefit Unit deposits	20,000.00	30,000.00
Total Receipts	942,544.45	978,848.71
Expenditures		
Operating Expenditures		
Water Purchased	331,338.90	531,610.64
Repairs and maintenance	96,640.94	60,693.91
Operating supplies	9,443.89	968.06
Meter readers	9,621.97	10,184.50
Utilities and telephone	20,013.92	19,509.99
Office supplies	27,438.26	17,716.20
Insurance	15,496.00	19,781.00
Salaries	166,772.05	104,961.26
Payroll taxes	13,567.89	8,029.53
Retirement plan & insurance	9,828.10	8,758.79
Legal and accounting	4,070.00	4,485.00
Travel	39,312.30	33,041.66
Sales taxes and fees paid	3,509.61	4,123.57
Miscellaneous expense	2,399.46	1,207.28
Nonoperating Expenditures		
Capital Outlays	251,678.14	4,350.00
Total Expenditures	1,001,131.43	829,421.39
Receipts Over (Under) Expenditures	(58,586.98)	149,427.32
Unencumbered Cash, Beginning	2,197,837.29	2,139,250.31
Unencumbered Cash, Ending	$ 2,139,250.31	$ 2,288,677.63