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, 2025 and 2024

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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, 2025 and 2024, 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, 2025 and 2024, and the changes in financial 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 9, 2026

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

December 31,	2025	2024
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,727,084	$ 1,814,518
Accounts receivable	88,503	76,314
Prepaid expenses	17,333	33,833
Total current assets	1,832,920	1,924,665
Noncurrent assets		
Restricted cash and cash equivalents	542,260	542,634
Capital assets, net	3,571,244	3,460,912
Intangible assets, net	38,028	40,357
Total noncurrent assets	4,151,532	4,043,903
TOTAL ASSETS	$ 5,984,452	$ 5,968,568
LIABILITIES AND NET POSITION		
Current liabilities		
Bonds payable - current portion	$ 269,129	$ 260,970
Accounts payable	13,425	42,555
Accrued interest	60,772	64,078
Total current liabilities	343,326	367,603
Noncurrent liabilities		
Bonds payable - noncurrent portion	3,672,441	3,941,570
Total noncurrent liabilities	3,672,441	3,941,570
TOTAL LIABILITIES	4,015,767	4,309,173
Net position		
Invested in capital assets, net of related debt	(370,326)	(741,628)
Restricted assets	542,260	542,634
Unrestricted	1,796,751	1,858,389
Total net position	1,968,685	1,659,395
TOTAL LIABILITIES AND NET POSITION	$ 5,984,452	$ 5,968,568

PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 18

STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

For the years ended December 31,	2025	2024
Revenue		
Water sales	$ 1,011,419	$ 963,178
Total revenue	1,011,419	963,178
Expenses		
Depreciation	197,219	187,179
Amortization of initial facility costs	2,328	2,328
Administration	198,000	198,000
Professional fees	17,714	10,550
Insurance	56,282	43,467
Maintenance and repair	71,914	43,252
Chemicals	129,600	136,988
Supplies	3,926	8,922
Telephone	-	2,398
Utilities	86,374	134,285
Dues and fees	675	1,444
Miscellaneous	16,830	13,184
Total expenses	780,862	781,997
Operating income	230,557	181,181
Other income (expense)		
Interest expense	(115,929)	(124,052)
Interest income	49,276	48,051
Settlement proceeds	88,661	-
Gain on sale of equipment	23,500	-
Other income	33,225	14,095
Total other income (expense)	78,733	(61,906)
Change in net position	309,290	119,275
Net position, beginning of year	1,659,395	1,540,120
Net position, end of year	$ 1,968,685	$ 1,659,395

PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 18
STATEMENTS OF CASH FLOWS

For the years ended December 31,	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 999,230	$ 968,586
Cash paid to suppliers	(593,945)	(617,546)
Settlement proceeds	88,661	-
Gain on sale of equipment	23,500	-
Other cash receipts	33,225	14,095
NET CASH PROVIDED BY OPERATING ACTIVITIES	550,671	365,135
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest	49,276	48,051
NET CASH PROVIDED BY INVESTING ACTIVITIES	49,276	48,051
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on long term debt	(260,970)	(253,144)
Interest paid on long term debt	(119,235)	(127,261)
Purchase of capital assets	(307,550)	-
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(687,755)	(380,405)
Net increase (decrease) in cash and cash equivalents	(87,808)	32,781
Cash and cash equivalents, beginning of year	2,357,152	2,324,371
Cash and cash equivalents, end of year	$ 2,269,344	$ 2,357,152
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 230,557	$ 181,181
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	197,219	187,179
Amortization of initial facility costs	2,328	2,328
Settlement proceeds	88,661	-
Gain on sale of equipment	23,500	-
Other income	33,225	14,095
(Increase) decrease in operating assets:		
Accounts receivable	(12,189)	5,408
Prepaid expenses	16,500	(25,032)
Decrease in operating liabilities:		
Accounts payable	(29,130)	(24)
Net cash provided by operating activities	$ 550,671	$ 365,135
Reconciliation of cash and cash equivalents to the Statements of Net Position		
Cash and cash equivalents per Statements of Net Position	$ 1,727,084	$ 1,814,518
Restricted cash and cash equivalents per Statements of Net Position	542,260	542,634
Total cash and cash equivalents per Statements of Net Position	$ 2,269,344	$ 2,357,152

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 water is consumed.

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 current expected credit losses 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, 2025 and 2024:

	Original Amount	Less: Accumulated Amortization	Balance at December 31, 2025
Initial facility costs	$ 93,130	$ (55,101)	$ 38,029

	Original Amount	Less: Accumulated Amortization	Balance at December 31, 2024
Initial facility costs	$ 93,130	$ (52,773)	$ 40,357

3. CAPITAL ASSETS

Capital assets, together with activity for the years ended December 31, 2025 and 2024, consisted of the following:

	December 31, 2024	Additions	Reductions	December 31, 2025
Capital Assets				
Land	$ 68,396	$ -	$ -	$ 68,396
Office equipment	28,034	9,614	(8,906)	28,742
Plant and equipment	8,364,249	297,936	(188,060)	8,474,125
	8,460,679	307,550	(196,966)	8,571,263
Less: Accumulated depreciation for:				
Office equipment	28,034	782	(8,906)	19,910
Plant and equipment	4,971,733	196,436	(188,060)	4,980,109
	$ 3,460,912	$ 110,332	$ -	$ 3,571,244

	December 31, 2023	Additions	Reductions	December 31, 2024
Capital Assets				
Land	$ 68,396	$ -	$ -	$ 68,396
Office equipment	28,034	-	-	28,034
Plant and equipment	8,364,249	-	-	8,364,249
	8,460,679	-	-	8,460,679
Less: Accumulated depreciation for:				
Office equipment	28,034	-	-	28,034
Plant and equipment	4,784,554	187,179	-	4,971,733
	$ 3,648,091	$ (187,179)	$ -	$ 3,460,912

Depreciation expense was $197,219 and $187,179 for the years ended December 31, 2025 and 2024, 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 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, 2025 and 2024:

December 31, 2025	Beginning Principal Outstanding	Additions to Principal	Reductions of Principal	Ending Principal Outstanding
Revenue Bonds:				
Series 2013	$ 2,268,040	$ -	$ 54,370	$ 2,213,670
Series 2018	1,934,500	-	206,600	1,727,900
Total	$ 4,202,540	$ -	$ 260,970	$ 3,941,570

December 31, 2024	Beginning Principal Outstanding	Additions to Principal	Reductions of Principal	Ending Principal Outstanding
Revenue Bonds:				
Series 2013	$ 2,321,084	$ -	$ 53,044	$ 2,268,040
Series 2018	2,134,600	-	200,100	1,934,500
Total	$ 4,455,684	$ -	$ 253,144	$ 4,202,540

The annual debt service requirements to maturity for bonded debt as of December 31, 2025 are as follows:

Year Ending	Revenue Bonds, Series 2013		Revenue Bonds, Series 2018	
December 31,	Principal	Interest	Principal	Interest
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	60,014	51,249	235,300	33,472
2030	61,514	49,748	243,400	25,592
2031 - 2035	331,423	224,890	587,300	28,185
2036 - 2040	374,975	181,338	-	-
2041 - 2045	424,250	132,063	-	-
2046 - 2050	480,000	76,314	-	-
2051 - 2053	310,093	16,019	-	-
Total	$ 2,213,670	$ 894,007	$ 1,727,900	$ 232,455

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 123% and 110% for the years ended December 31, 2025 and 2024, respectively. The District last approved a rate increase effective February 2025.

Interest expense on long-term debt totaled $115,929 and $124,052 for the years ended December 31, 2025 and 2024, 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, 2025

At December 31, 2025, the carrying amount of deposits was $2,269,344 and the bank balance was $2,318,259. The bank balance was held by three banks resulting in concentration of credit risk. Of the bank balance, $321,204 was covered by federal depository insurance. Pursuant to K.S.A. 12-1675(f), the remaining $1,997,055 is deposited in an insured cash sweep account in the District's name.

6. RESTRICTED ASSETS

Restricted assets at December 31, 2025 and 2024 consisted of the following:

		December 31, 2025
Bond principal and interest	$	149,980
Bond reserve account		392,280
	$	542,260

		December 31, 2024
Bond principal and interest	$	150,354
Bond reserve account		392,280
	$	542,634

7. OPERATING CONTRACT

The District 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 May 15, 2023, the contract in the amount of $198,000 per year is for a term of five years.

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. In February 2025, the rate increased to 1.75 cents per thousand gallons with the 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. COMPLIANCE WITH FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

As described in Note 4, the District did not meet the 125% debt service coverage requirement as defined in its bond agreements.

Per the covenants of the district outlined in the bond agreement, the District agrees that it will at all times maintain and collect rates, fees or charges for the services rendered which will be sufficient for the District to have in each fiscal year a net operating income in an amount which will be not less than 125% of the amount required to be paid by the District for both principal and interest in the following fiscal year. If an increase in existing rates, fees or charges for services rendered is needed in order to satisfy the obligations of this resolution, the District shall promptly make such increase and shall cause the same to be effective within ninety days after the date of this report.

11. CLASS ACTION LAWSUIT

During the year ended December 31, 2025, the District received gross proceeds of $88,661 in connection with the nationwide PFAS Class Action Settlement involving 3M, DuPont, Chemours, and Corteva to clean up water contamination of “forever chemicals”. It is unknown whether the District will receive additional proceeds as a result of the settlement and therefore no receivable is deemed necessary.

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 9, 2026, 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 $52,284 and covers the period May 1, 2025 to May 1, 2026. In provides the following coverage:

Building (90% coinsurance)	$	15,737,899
Personal property (90% coinsurance)		287,491
Storage tanks (90% coinsurance)		939,523
Equipment (80% coinsurance)		101,014
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 $47,956 and covers the period May 1, 2024 to May 1, 2025. It provides the following coverage:

Building (90% coinsurance)	$	14,438,439
Personal property (90% coinsurance)		273,801
Storage tanks (90% coinsurance)		894,784
Equipment (80% coinsurance)		101,014
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, 2025 and 2024

For the year ended December 31, 2025	Beginning of Year	Changes	End of Year
City of Holton, Kansas (average)	1,683	(97)	1,586
Rural Water District No. 3	2,019	8	2,027
Total	3,702	(89)	3,613

For the year ended December 31, 2024	Beginning of Year	Changes	End of Year
City of Holton, Kansas (average)	1,520	163	1,683
Rural Water District No. 3	2,005	14	2,019
Total	3,525	177	3,702