Western Kansas Groundwater Management District No. 1

FINANCIAL STATEMENT

WITH REGULATORY - REQUIRED SUPPLEMENTARY INFORMATION

and

INDEPENDENT AUDITOR'S REPORT

For the Year Ended December 31, 2025

Western Kansas Groundwater Management District No. 1
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For the Year Ended December 31, 2025

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Western Kansas Groundwater Management District Number 1
Scott City, Kansas 67871

Opinions

We have audited the accompanying financial statement of the Western Kansas Groundwater Management District Number 1, Scott City, Kansas, which comprise the statement of receipts, expenditures, and unencumbered cash as of December 31, 2025, and the related notes to the financial statement.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above present fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Western Kansas Groundwater Management District Number 1, 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* as described in Note 1.

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 Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Western Kansas Groundwater Management District Number 1, as of December 31, 2025, or changes in net position, or cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 Western Kansas Groundwater Management District Number 1, 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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Western Kansas Groundwater Management District Number 1, on the basis of the financial reporting provisions of *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 and pervasive.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the 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 financial statement that are free from material misstatement, whether due to fraud or error.

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 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Western Kansas Groundwater Management District Number 1'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 Western Kansas Groundwater Management District Number 1'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 summary of regulatory basis expenditures - actual and budget, individual fund schedules of regulatory basis receipts and expenditures - actual and budget (Schedules 1 and 2, as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however, are 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 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.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the Western Kansas Groundwater Management District Number 1 as of and for the year ended December 31, 2024 (not presented herein), and have issued our report thereon dated June 24, 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: http://admin.ks.gov/offices/oar/municipal-services. The 2024 actual column (2024 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures – actual and budget for the year ended December 31, 2024 (Schedule 2 as listed in the table of contents) is presented for the 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.

Medill and Thooft, CPA

Medill & Thooft, CPA
Ulysses, Kansas

June 2, 2026

Western Kansas Groundwater Management District No. 1
Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2025

Funds	Beginning Unencumbered Regulatory Balance	Receipts	Expenditures	Ending Unencumbered Regulatory Balance	Add: Encumbrances and Accounts Payable	Ending Regulatory Balance
Genral Fund:						
General Fund	$ 659,029	$ 525,482	$ 592,779	$ 591,732	$ 4,940	$ 596,672
Special Purpose Funds:						
Water Conservation Program	2,983	60,000	48,774	14,209	81	14,290
Irrigation Technology Initative	-	250,732	228,254	22,478	-	22,478
Total Reporting Entity	$ 662,012	$ 836,214	$ 869,807	$ 628,419	$ 5,021	$ 633,440

Composition of Cash:		
	Checking Account	$ 110,204
	Certificate of Deposit	523,236
	Total Reporting Entity	$ 633,440

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) *Municipal Financial Reporting Entity*

The Western Kansas Groundwater Management District Number 1 is a municipal corporation governed by an elected board. This financial statement presents the Western Kansas Groundwater Management District Number 1 (the District). The District has no related municipal entities.

b) *Regulatory Basis Fund Types*

General Fund - the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Fund - used to account for the proceeds of specific tax levies and other specific regulatory receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

c) *Basis of Accounting*

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The Kansas Municipal Audit and Accounting Guide (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis 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.

d) *Budgetary Information*

Kansas statutes require that before any assessment is made, or user charge imposed, the District's board must prepare a budget for the upcoming year to the eligible voters of the District at a budget haring. The budget hearing must be published in a newspaper or newspapers of general circulation with the District at least 28 days prior to the meeting. After the budget hearing, the District's board will adopt the proposed budget by resolution as well as determine the amount of land assessment or user charge, or both, that will be needed to support the adopted budget.

The District can increase the originally adopted budget for previously unbudgeted increases in revenue. There were no budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the District for future payments and are supported by a document

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for the following special purpose funds: Water Conservation Program and Irrigation Technology Initiative.

NOTE 2 – DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main 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.

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

Custodial Credit Risk- Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2025.

At December 31, 2025, the District's carrying amount of deposits was $633,440 and the bank balance was $642,898. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, $250,000 was covered by federal depository insurance, and the remaining balance was collateralized with securities held by the pledging financial institutions' agents in the District's name.

Custodial Credit Risk - Investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

NOTE 3 – INTERFUND TRANSFERS

Operating transfers were as follows:

From	To	Regulatory Authority	Amount
General Fund	Water Conservation Program	K.S.A. 12-1,118	$ 60,000

NOTE 4 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description. The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. Seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its

NOTE 4 – DEFINED BENEFIT PENSION PLAN (CONT.)

Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or before July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2, and KPERS 3 to be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate was 9.71% for KPERS for the fiscal year ended December 31, 2025. Contributions to the pension plan from the District was $26,656 for KPERS for the year ended December 31, 2025.

Net Pension Liability

At December 31, 2025, the District's proportionate share of the collective net pension liability reported by KPERS was $174,470. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2024, which was rolled forward to June 30, 2025. The District's proportion of the net pension liability was based on the ratio of the District's contributions to KPERS, relative to the total employer and non-employer contribution of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website www.kpers.org or can be obtained as described above.

NOTE 5 – OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

a) Other Post-Employment Benefits

As provided by K.S.A. 12-5040, the District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the District is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

b) Death and Disability Other Post-Employment Benefit

As provided by K.S.A. 74-4927, disable members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payment. The employer contribution rate is set at 1% for the year ended December 31, 2025.

NOTE 5 – OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS (CONT.)

c) Other Employee Benefits

There is no employee handbook for any non-Director positions. The Director's contract that was in place details the employee benefits available to the position. The contract's benefits are as follows:

Vacation- Four (4) hours per pay period for the first three years of employment and then a rate of six (6) hours per pay period will be awarded after three years of employment. The maximum number of vacation hours that may be carried over from any given year shall be 240 hours. Upon termination, there is no indication of any payout.

Sick- Four (4) hours per pay period will be awarded. The sick leave shall accumulate year to year with no limitations. Upon termination, there is no indication of any payout.

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of this report. Management's evaluation concluded that there are no subsequent events that are required to be recognized, but three events are to be disclosed in this financial statement.

The District has paid Lee Wheeler a total of $34,000 for System Evaluations as of the date of the audit report.

The District has paid Hinkle Law Firm $32,533 as of the date of the audit report for professional services rendered.

KWR Consulting LLC has been paid $20,668 as of the date of the audit report for Professional Consulting services received.

Western Kansas Groundwater Management District No. 1

REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION

Western Kansas Groundwater Management District No. 1
Summary of Expenditures - Actual and Budget (Budgeted Funds Only)
Regulatory Basis
For the Year Ended December 31, 2025

Funds	Certified Budget	Expenditures Chargeable to Current Year	Variance- Over (Under)
General Fund:			
General Fund	$ 669,300	$ 592,779	$ (76,521)

Western Kansas Groundwater Management District No. 1
General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance- Over (Under)
Receipts				
Water and Land Assessments	$ 443,342	$ 497,587	$ 497,454	$ 133
Interest on Idle Funds	24,169	21,288	15,000	6,288
Reimbursements	13,403	3,007	3,000	7
Hanger Lease Income	3,600	3,600	3,600	-
Total Receipts	484,514	525,482	$ 519,054	$ 6,428
Expenditures				
General Government:				
Salaries and Benefits	208,283	337,038	322,800	14,238
Health Insurance	21,879	29,588	35,000	(5,412)
Subtotal General Government	230,162	366,626	357,800	8,826
Administration:				
Lobbyist	12,417	10,130	14,000	(3,870)
Office Expenses	7,819	12,083	17,500	(5,417)
Insurance	12,821	9,174	10,000	(826)
Audit Expense	7,915	8,220	9,000	(780)
Telephone	3,035	4,376	6,000	(1,624)
Utilities	3,601	3,846	5,000	(1,154)
Computer and Equipment Expenses	10,511	5,054	5,000	54
Postage	304	781	2,000	(1,219)
Vehicle Expense and Fuel	4,321	4,162	10,000	(5,838)
Travel and Meetings	7,695	5,951	15,000	(9,049)
Publishing and Legal	1,427	1,956	5,000	(3,044)
Newsletter and Education	777	2,359	3,000	(641)
Supplies	2,113	2,030	3,000	(970)
Professional Services - Legal Counsel	24,427	43,137	40,000	3,137
Professional Consulting - LEMA	44,611	44,647	25,000	19,647
Bookkeeping	1,395	2,243	2,000	243
Business Meals	2,951	2,451	1,500	951
Dues & Licenses	439	650	1,500	(850)
Rent	1,250	1,250	1,500	(250)
Repairs & Maintenance	4,687	1,653	4,000	(2,347)
Other	-	-	1,500	(1,500)
Subtotal Administration	154,516	166,153	181,500	(15,347)
Capital Expenditures	1,975	-	15,000	(15,000)
Transfers Out	40,000	60,000	115,000	(55,000)
Total Expenditures	426,653	592,779	$ 669,300	(76,521)
Receipts Over (Under) Expenditures	57,861	(67,297)		$ 82,949
Unencumbered Cash, Beginning	601,168	659,029		
Unencumbered Cash, Ending	$ 659,029	$ 591,732		

Western Kansas Groundwater Management District No. 1
Water Conservation Program
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual
Receipts		
Transfers In	$ 40,000	$ 60,000
Total Receipts	40,000	60,000
Expenditures		
Cost Share	72,243	48,774
Total Expenditures	72,243	48,774
Receipts Over (Under) Expenditures	(32,243)	11,226
Unencumbered Cash, Beginning	35,226	2,983
Unencumbered Cash, Ending	$ 2,983	$ 14,209

Western Kansas Groundwater Management District No. 1
Irrigation Technology Initative
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual
Receipts		
Reimbursements	$ -	$ 210,732
Administration Costs	-	40,000
Total Receipts	-	250,732
Expenditures		
Cost Share	-	220,232
Administrative Costs	-	8,022
Total Expenditures	-	228,254
Receipts Over (Under) Expenditures	-	22,478
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	$ -	$ 22,478