WALNUT CREEK EXTENSION DISTRICT NO. 2

DIGHTON, KANSAS

DECEMBER 31, 2024

LINDBURG
VOGEL PIERCE FARIS
Chartered

WALNUT CREEK EXTENSION DISTRICT NO. 2
Dighton, Kansas

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INDEPENDENT AUDITORS' REPORT

Walnut Creek Extension District No. 2
Dighton, Kansas

Adverse and Unmodified Opinions

We have audited the accompanying regulatory basis summary statement of receipts, expenditures, and unencumbered cash of Walnut Creek Extension District No. 2 (the District), Dighton, Kansas as of and for the year ended December 31, 2024, 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 matters discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" 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, 2024, or changes in net position and cash flows thereof for the year then ended.

Unmodified Opinion on the 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, 2024, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions permitted in the *Kansas Municipal Audit and Accounting Guide* described in Note 1—Summary of Accounting Policies.

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 the financial statement in accordance with the regulatory basis reporting provisions in the *Kansas Municipal Audit and Accounting Guide*, as described in Note 1—Summary of Accounting Policies, to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for preparing 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.

Auditors' 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 generally accepted auditing standards (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 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 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 2024 summary statement of receipts, expenditures, and unencumbered cash – regulatory basis (basic financial statement) as a whole. The summary of expenditures – regulatory basis – actual and budget and the individual fund schedule of receipts and expenditures – regulatory basis – actual and budget (schedules 1 and 2, as listed in the table of contents) are presented for additional analysis and are not a required part of the 2024 basic financial statement; however, they are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and the supplementary information was derived from, and relates directly to, the underlying accounting and other records used to prepare the 2024 basic financial statement. The 2024 information has been 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 information is fairly stated in all material respects in relation to the 2024 basic financial statement as a whole, on the basis of accounting described in Note 1—Summary of Accounting Policies.

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, 2023 (not presented herein) and have issued our report thereon dated December 19, 2024, which contained an unmodified opinion on the basic financial statement. The 2023 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/accounts-reports/local-goverment/municipal-services. The 2023 actual column (2023 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), are also presented for comparative analysis and are not a required part of the basic financial statement. Such 2023 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 2023 basic financial statement. The 2023 comparative information was subjected to the auditing procedures applied in the audit of the 2023 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 2023 basic financial statement or to the 2023 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 2023 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, 2023, on the basis of accounting described in Note 1.



Certified Public Accountants

Hutchinson, Kansas
December 22, 2025

WALNUT CREEK EXTENSION DISTRICT NO. 2
Dighton, Kansas

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH - REGULATORY BASIS
For Year Ended December 31, 2024

Fund	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
GENERAL FUND	$ 639,416	$ 574,242	$ 552,742	$ 660,916	$ 18,304	$ 679,220

COMPOSITION OF CASH	
Checking account	$ 391,039
Money Market account	78,106
Certificate of deposit	210,000
Change fund	75
TOTAL CASH	$ 679,220

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

WALNUT CREEK EXTENSION DISTRICT NO. 2
Dighton, Kansas

NOTES TO THE FINANCIAL STATEMENT
December 31, 2024

NOTE 1—SUMMARY OF ACCOUNTING POLICIES

Reporting Entity

Walnut Creek Extension District No. 2 (the District) provides services in such areas as agriculture, home economics, and 4-H clubs to all persons in Ness, Lane, and Rush Counties. The District is governed by an elected twelve-member executive board.

The District was formed in 1996, through the combination of the Rush, Lane, and Ness Counties Extension Councils. The District has its own tax levy.

Fund 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, restrictions, or limitations.

Kansas Municipal Audit and Accounting Guide Regulatory Basis of Presentation Fund Definitions

The following funds comprise the financial activities of the District for the year of 2024:

General Fund

Used to account for all unrestricted resources except those required to be accounted for in another fund.

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The regulatory basis of accounting as prescribed in the *Kansas Municipal Audit and Accounting Guide* 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 reporting the changes in unencumbered cash and investments of a fund resulting from the regulatory basis revenues 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 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 require that an annual operating budget be legally adopted for the General Fund. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1.
2. Publication in the local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5.

3. Public hearing on or before August 15, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

If the municipality is holding a revenue neutral rate hearing, the budget timeline for the public hearing is adjusted to no sooner than August 20th and no later than September 20th, but at least ten days after all statutory notification and publication requirements have been met. Municipal budgets requiring a hearing to exceed the revenue neutral rate should be adopted on or before October 1st but may not be adopted prior to the revenue neutral rate hearing. The District did not hold a revenue neutral rate hearing for this year.

The statutes allow for the governing body to increase the original adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the year ended December 31, 2024.

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 regulatory receipts 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 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 capital project funds, trust funds, and certain special purpose funds. Spending in funds which are not subject to the legal annual operating budget requirement are controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Tax Cycle

The determination of assessed valuations and the collections of property taxes for all political subdivisions in the State of Kansas is the responsibility of the county. The County Appraiser annually determines assessed valuations based on real property transactions as recorded by the Register of Deeds and personal property holdings reported by taxpayers. The County Clerk spreads the annual assessment on the tax rolls and the County Treasurer collects the taxes for all taxing entities within the county.

In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. One half of the property taxes are due December 20 prior to the fiscal year for which they are budgeted, and the second half is due the following May 10. Delinquent taxes were assessed interest as prescribed by Kansas statute. The interest is retained by the county.

Taxes levied to finance the budget are made available after January 1 and are distributed by the County Treasurer approximately every month and a half. Approximately 50% of the taxes levied are available in January. Delinquent tax collections are distributed throughout the year.

Cash and Investments

Cash includes amounts in demand, time deposits, and certificates of deposit at financial institutions.

Investments may consist of types authorized by K.S.A. 12-1675, which includes U.S. government securities, repurchase agreements, the Kansas Municipal Investment Pool, and others.

Reimbursed Expenses

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses included in the financial statement meet the following criteria: (1) the related disbursement was made in the current year on behalf of the payee, (2) the item paid for was directly identifiable as having been used by or provided to the payee, and (3) the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

Use of Estimates

The process of preparing financial statements requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2—COMPLIANCE WITH KANSAS STATUTES

Management was not aware of any statutory violations.

NOTE 3—DEPOSITS AND INVESTMENTS

The District's policies relating to deposits and investments are governed by various Kansas statutes. Those statutes specify the type of deposits and investments as well as the securing of those 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 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 Federal Deposit Insurance Corporation (FDIC) coverage.

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.

Interest Rate Risk

In accordance with K.S.A. 12-1675, the District manages its exposure to interest rate fluctuations by limiting all time investments to maturities of two years or less. The District has no other policies that would further limit interest rate risk.

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 FDIC 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, the Federal Home Loan Bank of Topeka, or deposit guaranty bonds coverage.

At December 31, 2024, the District's carrying amount of deposits was $679,145 and the bank balance was $691,383. The bank balance was held by three banks. Of the bank balance, $338,106 was covered by FDIC insurance and the remaining $353,277 was collateralized with securities held by the pledging financial institutions' agent 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 limit the amount of credit risk by restricting governments to specific investment types as listed in K.S.A. 12-1675.

The District had no such investment during the year ended December 31, 2024.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. 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.

NOTE 4—DEFINED BENEFIT PENSION PLAN

Plan Description

The District participates in the Kansas Public Employees Retirement System (KPERS), 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 supplementary information. KPERS' financial statements are included in the Comprehensive Annual Financial Report, which can be found on the KPERS website at www.kspers.gov or by writing to KPERS (611 South Kansas, Suite 100; Topeka, Kansas 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 after July 1, 2009; and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Kansas law establishes the KPERS member-employee contribution rate at 6.00% of covered salary for KPERS 1, KPERS 2, or 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.

Kansas law provides that employer contribution rates for KPERS 1, KPERS 2, and KPERS 3 be determined annually based on the results of an annual actuarial valuation. The actuarially determined employer contribution rate (excluding the contribution rate for the Death and Disability program) and the statutory contribution rate was 9.26% for the year ended December 31, 2024. Contributions to the pension plan from the District were $13,931 for KPERS for the year ended December 31, 2024.

Net Pension Liability

At December 31, 2024, the District's proportionate share of the collective net pension liability reported by KPERS was $135,483. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023, which was rolled forward to June 30, 2024. The District's share of the allocated net pension liability is based on the ratio of the District's employer contributions to KPERS, relative to the total employer contributions and nonemployer contributions of the local subgroup within KPERS. Because the *Kansas Municipal Audit and Accounting Guide* regulatory basis of accounting does not recognize long-term debt, this liability is not reported in the 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 at www.kspers.gov or can be obtained as described in the Plan Description paragraph.

NOTE 5—RISK MANAGEMENT

The District has obtained coverage through commercial insurance to limit its exposure to various risk of loss related to torts, theft of, damage to, and destruction of assets. Workers' compensation coverage is obtained through commercial insurance to limit exposure for work related personal injury or illness.

There were no significant reductions in insurance coverage during the past fiscal year and there were no settlements that exceeded insurance coverage for the past three fiscal years.

NOTE 6—COMPENSATED ABSENCES

Vacation

Vacation is earned by all full-time employees from the date of their employment. Full-time employees earn vacation as follows:

Employment Period	Annual Leave
Less than 5 years	12 days
5 - 10 years	15 days
10 or more years	18 days

Only 12 days can be carried over to the next year. Any unused vacation at termination or resignation will be paid out at the employee's hourly rate. The potential liability for vacation at December 31, 2024, was $2,280. This liability is not reflected in the financial statement.

Sick Leave

All full-time employees shall earn 1 day per month (12 days per year). Sick leave may be accrued up to 30 days, and is paid at retirement, but not at resignation or termination. The potential liability for sick leave at December 31, 2024, was $4,014. This liability is not reflected in the financial statement.

Comp Time

Comp time is earned at the rate of 1½ hours per every hour worked over 40 hours during a one-week period. It must be taken as time off within that pay period. There was no comp time liability at December 31, 2024.

WALNUT CREEK EXTENSION DISTRICT NO. 2
Dighton, Kansas

SUMMARY OF EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)
For Year Ended December 31, 2024

Schedule 1

Fund	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
General Fund	$ 888,500	$ -	$ 888,500	$ 552,742	$ (335,758)

WALNUT CREEK EXTENSION DISTRICT NO. 2
Dighton, Kansas

GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)
For Year Ended December 31, 2024
(With Comparative Actual Totals for Prior Year Ended December 31, 2022)

Schedule 2

	Prior Year Actual	Actual	Budget	Over (Under) Budget
RECEIPTS				
Taxes and shared revenue	$ 445,419	$ 431,368	$ 430,968	$ 400
Kansas State University	105,485	117,390	100,000	17,390
Educational services reimbursements	17,539	19,668	25,000	(5,332)
Miscellaneous reimbursements	8,608	3,194	-	3,194
Interest income	2,555	2,622	-	2,622
TOTAL RECEIPTS	579,606	574,242	$ 555,968	$ 18,274
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET				
Printing, audit, and treasurer's bond	8,542	7,266	$ 20,000	$ (12,734)
Telephone	8,031	7,967	16,000	(8,033)
Rent, heat, and lights	11,038	10,837	20,000	(9,163)
Supplies, stationery, and postage	10,657	6,935	16,000	(9,065)
Equipment (including auto exchange)	36,049	3,789	60,000	(56,211)
Educational services and supplies	15,618	-	25,500	(25,500)
Travel	24,631	27,527	30,000	(2,473)
Subsistence	1,069	2,509	6,000	(3,491)
Salaries	362,254	403,823	425,000	(21,177)
Employer's contributions	52,312	59,536	115,000	(55,464)
Capital outlay	4,787	-	130,000	(130,000)
Reimbursables	-	22,553	25,000	(2,447)
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	534,988	552,742	$ 888,500	$ (335,758)
RECEIPTS OVER (UNDER) EXPENDITURES	44,618	21,500		
UNENCUMBERED CASH, JANUARY 1	594,798	639,416		
UNENCUMBERED CASH, DECEMBER 31	$ 639,416	$ 660,916		