Financial Statement and Supplemental Information of

Cottonwood Extension District

For the year ended December 31, 2023

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JP
Jeff Pinkney CPA, Inc.
Certified Public Accountant
1513 E 27th
Hays, KS 67601
Phone: (785) 628-3811
826 Washington
Ellis, Kansas 67637
Phone: (785) 726-3650
www.jeffpinkneycpa.com

Independent Auditor's Report

To the Board of Directors
Cottonwood Extension District, Great Bend, Kansas

Adverse and Unmodified Opinions

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Cottonwood Extension District as of and for the year ended December 31, 2023 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 Cottonwood Extension District as of December 31, 2023, 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 Cottonwood Extension District as of December 31, 2023, 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 Cottonwood Extension 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 Cottonwood Extension 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 Cottonwood Extension 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 Cottonwood Extension 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 Cottonwood Extension 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 summary of regulatory basis expenditures-actual and budget and individual fund schedule of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for purposes of additional 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.

The financial statement of Cottonwood Extension District as of December 31, 2022, were audited by other auditors whose report dated October 31, 2023, expressed an unmodified opinion on that statement.

Jeff Pinkney CPA, Inc.

Hays, Kansas
October 16, 2024

Cottonwood Extension District, Great Bend, Kansas
Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2023

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds							
General Fund	$ 510,890	$ 3,747	$ 803,810	$ 752,076	**$ 558,877**	$ 2,353	**$ 561,230**
Total Reporting Entity	$ 510,890	$ 3,747	$ 803,810	$ 752,076	**$ 558,877**	$ 2,353	**$ 561,230**

Composition of Cash	
Checking Accounts	$ 51,889
Savings Accounts	300,357
Certificates of Deposit/Money Market	208,984
Total Reporting Entity	$ 561,230

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

Note 1 – Summary of Significant Accounting Policies

Reporting Entity – Cottonwood Extension District, Great Bend, Kansas (Extension District) is a municipal corporation governed by an appointed eight-member board. This financial statement presents Cottonwood Extension District (the municipality). Cottonwood Extension District has no related municipal entities.

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.

Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

Basis of Presentation – Fund Accounting – The accounts of the Cottonwood Extension District are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following types of funds comprise the financial activities of the Cottonwood Extension District for the year ended December 31, 2023.

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.

Basis of Accounting – 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 Extension District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted principles and allowing the municipality to use the regulatory basis of accounting.

Note 1 – Summary of Significant Accounting Policies - continued

Cash and Investments - Cash balances from all funds are combined and invested to the extent available. Cash and investments consist of an checking account, money market account and certificates of deposit. Earnings from these investments are allocated to designated funds. Cash and investments are stated at cost.

Ad Valorem Tax Revenue - The determination of assessed valuation and the collection of property taxes for all political subdivision in the State of Kansas are the responsibility of the various counties. The County Appraiser annually determines assessed valuation and the County Clerk spreads the annual assessment on the tax rolls. One-half of the property taxes are due December 20 and distributed to the Extension District by January 20. The second half is due May 10 and distributed to the Extension District by June 5. The Extension District Treasurer draws available funds from the County Treasurer at designated times throughout the year.

Reimbursed Expenses - The Extension District records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as a receipt to the fund that receives the reimbursement. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements under KMAAG regulatory basis of accounting.

Use of Estimates - The preparation of the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the amounts reported in the financial statement and accompanying notes. Actual results may differ from those estimates.

Departure from Accounting Principles Generally Accepted in the United States of America –The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the Recreation Commission are not presented in the financial statement. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, and temporary notes are not presented in the financial statement.

Note 1 – Summary of Significant Accounting Policies - continued

Property Tax Calendar – Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Major tax distributions are made in the months of December through July. Lien dates for personal property are in March and August and lien dates for real property are in September. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

Restricted Assets – Restricted cash balances are reported in various funds that are legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt and for expenditures approved in federal and state grant contracts.

Note 2 – Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

a. Preparation of the budget for the succeeding calendar year on or before August 1st
b. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
c. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing
d. Adoption of the final budget and certified with the District on or before August 25th

If the municipality is holding a revenue neutral rate hearing, the budget timeline for adoption of the final budget has been adjusted to on or before September 20th. The municipality did hold a revenue neutral rate hearing for this year.

The statutes allow for the governing body to increase the originally 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 10 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 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.

Note 2 – Budgetary Information – continued

Adjustment for Qualifying Budget Credits - Municipalities may use this line item for any budgeted fund. The adjustment would be a positive amount. All budget adjustments must be authorized by Kansas statutes. Examples include: expenditure of federal grant monies, reimbursements, gifts and donations and receipts authorized by law to be spent as if they were reimbursed expenses.

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 Recreation Commission 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 and trust funds.

Spending in funds which are not subjected to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Note 3 – Compliance with Kansas Statutes

Management is aware of no statutory violations for the period covered by the audit.

Note 4 – Deposits

K.S.A. 9-1401 established the depositories which may be used by the Extension District. The statute requires banks eligible to hold the Extension District's funds have a main or branch bank in the county in which the Extension 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 bank to pledge securities for deposits in excess of FDIC Coverage. The Extension District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Recreation Commission'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 Recreation Commission has no investment policy that would further limit its investment choices.

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

Note 4 – Deposits - continued

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Extension District's deposits may not be returned to it. State statutes require the Extension District's deposits in financial institutions to be entirely covered by federal depository insurance, bank guarantee bonds, 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% There were no designated "peak periods" during the year. All deposits were legally secured on December 31, 2023.

On December 31, 2023 the Extension District's carrying amount of deposits was $561,229.64 and the bank balance was $614,579.71. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, the entire $614,579.71 was covered by federal depository insurance.

Note 5 – Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The Extension 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 Annual Comprehensive 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 after 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.

Note 5 – Defined Benefit Pension Plan – continued

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 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 8.43% for the year ended December 31, 2023. Contributions to the pension plan from the Extension District were $7,587 for the year ended December 31, 2023.

Net Pension Liability

At December 31, 2023 the Extension District's proportionate share of the collective net pension liability reported by KPERS was $84,650. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022, which was rolled forward to June 30, 2023. The Extension District's proportion of the net pension liability was based on the ratio of the Extension District's contributions to KPERS, relative to the total employer and non-employer contributions 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 at www.kpers.org or can be obtained as described above.

Note 6 – Other Long-Term Obligations from Operations

Death and Disability other Post Employment Benefits - As provided by K.S.A. 74-4927, disabled 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 payments. The employer contribution rate is set at 1% for the year ended December 31, 2023.

Compensated Absences - All extension agents follow the Kansas State University policies and procedures manual for all leave types. Office professionals will accrue vacation at the following rates after six months of employment:

0 – 1 year	½ day per month
1 – 5 years	1 day per month
5 – 10 years	1 ¼ day per month
11-15 years	1 ½ days per month
Over 16 years	1 ¾ days per month

Note 6 – Other Long-Term Obligations from Operations - continued

Upon separation of employment employees will be paid for unused vacation leave up to a maximum of 80 hours. If an employee is terminated, no reimbursement of unused leave will occur. On December 31st of each year, any accumulated leave over 80 hours will be forfeited. The potential liability for vacation leave as of December 31, 2023, is $3,588.

Office professionals will accrue one day of sick leave per month up to a maximum of ninety days. Office professionals who retire will be paid $25 per day for up to ninety days of unused sick leave, with a maximum payout of $2,250. The potential liability for sick leave at December 31, 2023 is $4,500.

Note 7 – Contingencies

During the ordinary course of its operations the Extension District is a party to potential claims, legal actions and complaints. It is the opinion of the Extension District's management that these matters are not anticipated to have a material effect on the Extension District's financial statement.

Note 8 – Risk Management

The Extension District is exposed to various risks of losses related to torts; thefts of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Extension District obtains coverage from commercial insurance companies in order to effectively manage risk. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years. The Extension District does not participate in a public entity risk pool.

Note 9 – Subsequent Events

The Extension District has evaluated events subsequent to year end through October 16, 2024, and does not believe any events have occurred which affect the financial statement as presented.

Schedule 1

Cottonwood Extension District
Summary of Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2023

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over(Under)
Governmental Type Funds					
General Fund	$ 1,233,000	$ -	$ 1,233,000	$ 752,076	$ (480,924)

Schedule 2

Cottonwood Extension District, Great Bend, Kansas
General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2023
(With Comparative Actual Totals for the Prior Year Ended December 31, 2022)

	Prior Year Actual	**Current Year Actual**	Budget	Variance Over(Under)
Receipts				
Ad Valorem Property Tax	$ 568,848	**$ 561,193**	$ 570,784	$ (9,591)
Delinquent Tax	9,605	**11,575**	-	11,575
Motor Vehicle Tax	62,330	**61,167**	50,218	10,949
Recreational Vehicle Tax	1,095	**849**	1,092	(243)
Commercial Vehicle Tax	1,512	**382**	4,974	(4,592)
In Lieu of Tax	373	**16**	-	16
Kansas State University	73,061	**102,878**	110,630	(7,752)
Non-Appropriated Funds (Reimbursable)	21,540	**51,795**	80,000	(28,205)
Other Income		**5,997**	500	5,497
Interest on Idle Funds	6,779	**7,958**	-	7,958
Total Receipts	745,143	**803,810**	818,198	(14,388)
Expenditures				
Capital Outlay	45,000	**40,330**	203,000	(162,670)
Employer Contributions	80,124	**87,709**	115,000	(27,291)
Equipment	17,800	**14,394**	65,000	(50,606)
Non-Appropriated Funds Exp	17,437	**25,312**	80,000	(54,688)
Print/Audit	18,341	**14,429**	22,000	(7,571)
Program Support (Misc)	10,452	**16,681**	42,000	(25,319)
Rent/Heat/Utilities	26,950	**29,400**	44,000	(14,600)
Salaries	431,512	**480,422**	572,000	(91,578)
Subsistence	2,720	**5,612**	18,000	(12,388)
Supplies/Postage	13,700	**13,236**	24,000	(10,764)
Telephone	6,007	**6,946**	12,000	(5,054)
Travel	14,594	**17,605**	36,000	(18,395)
Total Expenditures	684,637	**752,076**	1,233,000	(480,924)
Receipts Over(Under) Expenditures	60,506	**51,734**		
Unencumbered Cash - Beginning	446,637	**507,143**		
Unencumbered Cash - Ending	$ 507,143	**558,877**		