WEBSTER IRRIGATION DISTRICT NO. 4

Gaylord, Kansas

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the Year Ended December 31, 2023

MAPES & MILLER LLP
Certified Public Accountants
Stockton, Kansas

WEBSTER IRRIGATION DISTRICT NO. 4
Gaylord, Kansas
For the Year Ended December 31, 2023

BOARD OF DIRECTORS

Lance Kendig – President

Russell Mick – Vice President

Tony Dibble – Secretary/Treasurer

WEBSTER IRRIGATION DISTRICT NO. 4
Gaylord, Kansas
For the Year Ended December 31, 2023

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1-3
FINANCIAL SECTION	
STATEMENT 1	
Summary Statement of Receipts, Expenditures, and Unencumbered Cash	4
Notes to the Financial Statement	5-9
REGULATORY- REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE 1	
Schedule of Receipts and Expenditures – Actual and Budget	
1-1 General Fund	10
1-2 Repayment Fund	11
1-3 Water Supply Reserve Fund	12
1-3 Water Distribution Works Reserve Fund	12

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Webster Irrigation District No. 4
Gaylord, KS 67638

Adverse and Unmodified Opinions

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Webster Irrigation District No. 4, (a Kansas quasi-municipality) 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 Webster Irrigation District No. 4 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 financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Webster Irrigation District No. 4 as of December 31, 2023, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of *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 Audit of the Financial Statement section of the report. We are required to be independent of the Webster Irrigation District No. 4 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements 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 Webster Irrigation District No. 4 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.

Responsibility of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Webster Irrigation District No. 4'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 if 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 Webster Irrigation District No. 4'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt the Webster Irrigation District No. 4'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 individual fund schedules of regulatory basis receipts and expenditures-actual and budget, (Schedules 1 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however is required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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.

Mapes & Miller LLP

Certified Public Accountants
December 3, 2024
Stockton, Kansas

WEBSTER IRRIGATION DISTRICT NO. 4
Gaylord, Kansas

Statement 1

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
General Fund	$ 192,538	$ -	$ 332,350	$ 337,584	$ 187,304	$ 7,550	$ 194,854
Special Purpose Funds:							
Repayment Fund	140,757	-	12,881	-	153,638	-	153,638
Water Supply Reserve Fund	42,805	-	10,745	-	53,550	-	53,550
Water Distribution Works Reserve Fund	51,624	-	10,830	-	62,454	-	62,454
Total Reporting Entity	$ 427,724	$ -	$ 366,806	$ 337,584	$ 456,946	$ 7,550	$ 464,496

COMPOSITION OF CASH:	
First National Bank & Trust	
Phillipsburg, Kansas	
Checking Account	$ 16,411
Savings Accounts	178,443
Repayment Fund Account	153,638
Water Supply Reserve Fund Account	53,550
Water Distribution Works Reserve Fund Account	62,454
Total Reporting Entity	$ 464,496

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

WEBSTER IRRIGATION DISTRICT NO. 4
Gaylord, Kansas
NOTES TO THE FINANCIAL STATEMENT
For the Year Ended December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The district is a Kansas quasi-municipal corporation organized under the provisions of K.S.A. 42-701 through 42-730. It is governed by an elected three-member board.

Regulatory Basis Fund Types

The following regulatory basis fund types comprise the financial activities of the district:

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 that are intended for a specified purpose.

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

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

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

Reimbursements

The district records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as revenue to the fund.

Budgetary Information

Kansas statutes do not require an annual operating budget be legally adopted for the general fund and special purpose funds of the district. The operating budget for the general fund is for informational purposes only.

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, except during designated "peak periods" when required coverage is 50%. The district has no designated "peak periods". All deposits were legally secured as of December 31, 2023.

On December 31, 2023, the district's carrying amount of deposits was $464,496 and the bank balance was $468,279. 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, $218,279 was collateralized with securities held by the pledging financial institutions' agents in the district's name.

3. REPAYMENT CONTRACT AND RESERVE REQUIREMENTS

A 40-year contract with the U.S. Department of Interior Bureau of Reclamation was signed on June 20, 2002 with an effective date of January 1, 2003. On December 13, 2005 the first amendment to the contract was signed and on June 8, 2007 the second amendment was signed. These amendments resulted in a renegotiated payment schedule.

Under the contract and amendments, the district negotiated its water supply repayment obligation to a fixed contract amount. On December 13, 2005 an amendment to the contract was signed which resulted in a renegotiated payment schedule, due to the 2005 annual payment being deferred. Per the contract the district's repayment obligation for the water supply is payable in two equal semi-annual payments on April 1 and November 1 with the final installment due in 2042. Per the amendments the district shall make base water supply payments of $5,122 beginning in 2006 and continuing through 2011, $15,367 for 2012 and 2013, $12,806 in 2014 and continuing through 2042. The district could also be required to repay additional sums against the water supply costs if it is determined that they have the ability to pay. The Bureau will evaluate the district's ability to pay every five years. The district's water supply repayment obligation for the existing water supply works shall be fully satisfied at the end of the 40-year contract in the year 2042.

3. REPAYMENT CONTRACT AND RESERVE REQUIREMENTS (Continued)

Under the contract and amendments, the district's repayment obligation for the water distribution works is payable in two equal semi-annual payments on April 1 and November 1 with the final installment due in 2042. Per the amendments the district shall make of $33,682 in 2003 and 2004, $12,949 starting in 2006 through 2011, $2,704 for 2012 and 2013, $5,265 in 2014 and continuing through 2042.

Provisions of the repayment contract make the following requirements:

A Water Supply Reserve Fund is to be maintained to meet extraordinary operation and maintenance costs incurred on the water supply works. Annual deposits of $1,707 shall be made through the year 2021 and beginning in the year 2022 annual deposits will increase to $10,244 and continue until the funds accumulate to the ceiling amount of $247,557. The required balance in this reserve account is $52,921 on December 31, 2023. The actual balance on December 31, 2023, is $53,550.

A Water Distribution Works Reserve Fund is to be maintained to cover extraordinary operation and maintenance costs incurred on the distribution works. An initial deposit of $25,000 was to be made followed by annual deposits of $854 through the year 2021 and beginning in the year 2022 annual deposits will increase to $10,244 and continue until the funds accumulate to the ceiling amount of $256,350. The required balance in this reserve account is $61,714 on December 31, 2023. The actual balance on December 31, 2023, is $62,454.

4. COMPLIANCE WITH KANSAS STATUTES

K.S.A. 9-1401 require those depositories for the district's monies be designated in the board minutes. This designation is not required annually but should be made whenever the governing body changes.

No other statute violations were noted.

5. COMPENSATED ABSENCES

Full time employees will begin with 80 hours of vacation with a maximum of 240 hours that can be accumulated. No vacation leave is paid out upon termination during the first year of employment.

Full time employees are eligible for sick leave. Employees will begin with 40 hours of sick leave with a maximum of 240 hours that can be accumulated. No sick leave is paid upon termination during the first year of employment.

6. RISK MANAGEMENT

Webster Irrigation District No. 4 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 continues to carry commercial insurance coverage to cover these risks. The district has had no significant reduction in insurance coverage from prior years. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

7. RETIREMENT PLAN

Effective January 1, 1998, the district adopted a Simple IRA plan covering all eligible employees. This plan provides for district matching contributions of employee contributions at a rate of up to 3% of the employee's salaries.

8. RELATED PARTY TRANSACTIONS

Webster Irrigation District No. 4 and the Kirwin Irrigation District No. 1 are operating under a joint operating agreement. They share equipment, employees and management. Each district's share of equipment cost is based on a predetermined formula in the agreement.

Each irrigation district is controlled by a separate board.

9. PROPERTY ASSESSMENTS

Property assessments are collected from land owners within the irrigation district and remitted to the County Treasurer. Assessments are levied November 1st of the calendar year. The assessments are due one-half on December 20th and one-half the following May 10th. Collection of current year property assessments is not completed, apportioned or distributed to the irrigation district until the succeeding year. Consequently, current year property assessments receivable is not available as a resource that can be used to finance current year operation of the district and therefore are not susceptible to accrual.

10. CAFETERIA PLAN

The district adopted a flexible benefit plan under Internal Revenue Code Section 125 "Cafeteria Plan" effective January 15, 1998. The purpose of the program is to allow employees, through salary reduction agreement, to select their plan benefits within the guidelines of the Revenue Act of 1975.The benefits available include cancer, disability, accident, and life insurance. All employees of the district are eligible to participate immediately upon the first day of employment.

11. INTERFUND TRANSFERS

From	To	Amount
General Fund	Water Supply Reserve Fund	$ 10,244
General Fund	Water Distribution Works Reserve Fund	10,244
Total		$ 20,488

12. SUBSEQUENT EVENTS

The U.S. Department of Interior Bureau of Reclamation began a project in the summer of 2021 to replace the spillway chute at the Webster dam with an estimated cost of $26 million dollars. The district's share of this cost will be a small percentage of this cost, to be paid out over a yet to be determined period. The payments will begin after the project is complete. The project was completed in 2024, but the district's share of the cost has yet to be determined.

Management has evaluated the effects on the financial statements of subsequent events occurring through the date of this report, which is the date at which the financial statements were available to be issued.

13. LONG-TERM DEBT

Changes in long-term liabilities for the district for the year ended December 31, 2023, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year
Contract Agreements:								
U.S.Department of Interior Article 5b - Water Supply	0%	01/01/03	$ 443,084	11/01/42	$ 256,120	$ -	$ 6,403	$ 249,717
U.S.Department of Interior Article 6a - Distribution Works	0%	01/01/03	$ 303,150	11/01/42	105,299	-	2,633	102,666
Total Contractual Indebtedness					$ 361,419	$ -	$ 9,036	$ 352,383

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	2024	2025	2026	2027	2028	2029-2033
PRINCIPAL						
Contract Agreements	$ 27,106	$ 18,071	$ 18,071	$ 18,071	$ 18,071	$ 90,355

	2034-2038	2039-2042	Total
PRINCIPAL			
Contract Agreements	$ 90,355	$ 72,283	$ 352,383

WEBSTER IRRIGATION DISTRICT NO. 4

REGULATORY-REQUIRED

SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2023

WEBSTER IRRIGATION DISTRICT NO. 4
Gaylord, Kansas
GENERAL FUND **Schedule 1-1**
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended December 31, 2023

GENERAL FUND

	Actual	Budget	Variance-Over (Under)
RECEIPTS			
Special Assessment:			
County Treasurers	$ 329,888	$ 332,943	$ (3,055)
Nonprofit Income	894	-	894
Miscellaneous	607	-	607
Interest Income	961	-	961
Total Receipts	332,350	$ 332,943	$ (593)
EXPENDITURES			
Salaries & Payroll Taxes	171,791	$ 163,700	$ 8,091
Health & Life Insurance	38,808	33,000	5,808
Retirement	4,476	4,700	(224)
Insurance & Bonds	19,368	20,000	(632)
Utilities & Telephone	5,699	5,500	199
Irrigation Meeting Expense	307	300	7
Postage & Office Supplies	2,675	1,500	1,175
Director's Fees	870	800	70
Audit Fees	3,600	3,500	100
Miscellaneous	1,185	230	955
Nonprofit Resale	652	1,000	(348)
Diversion Dam (Electricity)	415	200	215
Motor Fuel & Oil	17,598	20,000	(2,402)
Tools & Equipment	1,532	1,000	532
Maintenance	15,179	6,000	9,179
Meters & PVC Pipe	2,735	-	2,735
Weed Control	10,844	20,000	(9,156)
Repairs	9,488	8,000	1,488
Real Estate Taxes	120	100	20
Supplies	666	400	266
Tags	52	100	(48)
Water Supply Contract Payment	9,036	12,806	(3,770)
O & M Water Supply Works	-	9,619	(9,619)
Operating Transfers:			
Water Supply Reserve Fund	10,244	10,244	-
Water Distribution Works Reserve Fund	10,244	10,244	-
Total Expenditures	337,584	$ 332,943	$ 4,641
Receipts Over (Under) Expenditures	(5,234)		
UNENCUMBERED CASH, BEGINNING	192,538		
UNENCUMBERED CASH, ENDING	$ 187,304		

WEBSTER IRRIGATION DISTRICT NO. 4
Gaylord, Kansas
GENERAL FUND **Schedule 1-2**
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended December 31, 2023

REPAYMENT FUND

RECEIPTS		
Special Assessment:		
County Treasurers	$	12,516
Interest Income		365
Total Receipts		12,881
EXPENDITURES		-
Receipts Over (Under) Expenditures		12,881
UNENCUMBERED CASH, BEGINNING		140,757
UNENCUMBERED CASH, ENDING	$	153,638

WEBSTER IRRIGATION DISTRICT NO. 4
Gaylord, Kansas
SPECIAL PURPOSE FUND **Schedule 1-3**
SCHEDULE OF RECEIPTS AND EXPENDITURES
Regulatory Basis
For The Year Ended December 31, 2023

WATER SUPPLY RESERVE FUND

RECEIPTS		
Interest Income	$	501
Operating Transfers		
General Fund		10,244
Total Receipts		10,745
EXPENDITURES		-
Receipts Over (Under) Expenditures		10,745
UNENCUMBERED CASH, BEGINNING		42,805
UNENCUMBERED CASH, ENDING	$	53,550

WATER DISTRIBUTION WORKS RESERVE FUND

RECEIPTS		
Interest Income	$	586
Operating Transfers		
General Fund		10,244
Total Receipts		10,830
EXPENDITURES		-
Receipts Over (Under) Expenditures		10,830
UNENCUMBERED CASH, BEGINNING		51,624
UNENCUMBERED CASH, ENDING	$	62,454