KIRWIN IRRIGATION DISTRICT NO. 1

Gaylord, Kansas

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the Year Ended December 31, 2023

MAPES & MILLER LLP
Certified Public Accountants
Stockton, Kansas

KIRWIN IRRIGATION DISTRICT NO. 1
Gaylord, Kansas
For the Year Ended December 31, 2023

BOARD OF DIRECTORS

Dennis Lehmann – President

Steven Schmidt – Vice President

Raegan Kirchhoff – Secretary/Treasurer

KIRWIN IRRIGATION DISTRICT NO. 1
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 Water Supply Reserve Fund	11
1-2 Water Distribution Works Reserve Fund	11

MAPES & MILLER LLP

CERTIFIED PUBLIC ACCOUNTANTS
A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

418 E HOLME
NORTON, KS 67654
(785)877-5833

PO BOX 412
QUINTER, KS 67752
(785)754-2111

JOHN D. MAPES, CPA, CHTD
DENIS W. MILLER, CPA, PA
THOMAS B. CARPENTER, CPA, PA
DON E. TILTON, CPA, PA

BRIAN S. THOMPSON, CPA, PA
REBECCA A. LIX, CPA, PA
STEPHANIE M. HEIER, CPA, PA
SARAH E. CORMAN, CPA, PA

P.O. BOX 266
711 3RD STREET
PHILLIPSBURG, KS 67661
(785)543-6561

P.O. BOX 508
503 MAIN STREET
STOCKTON, KS 67669
(785)425-6764

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kirwin Irrigation District No. 1
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 Kirwin Irrigation District No. 1, (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 Kirwin Irrigation District No. 1 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 Kirwin Irrigation District No. 1 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 Kirwin Irrigation District No. 1 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 Kirwin Irrigation District No. 1 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 Kirwin Irrigation District No. 1'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 Kirwin Irrigation District No. 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt the Kirwin Irrigation District No. 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 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

KIRWIN IRRIGATION DISTRICT NO. 1
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	$ 545,944	$ -	$ 521,263	$ 493,704	$ 573,503	$ 6,929	$ 580,432
Special Purpose Funds:							
Water Supply Reserve Fund	202,719	-	13,518	-	216,237	-	216,237
Water Distribution Works Reserve Fund	208,659	-	12,420	-	221,079	-	221,079
Total Reporting Entity	$ 957,322	$ -	$ 547,201	$ 493,704	$ 1,010,819	$ 6,929	$ 1,017,748

COMPOSITION OF CASH:	
First National Bank & Trust	
Phillipsburg, Kansas	
Checking Account	$ 19,306
Savings Account	49,586
Operation/Maintenance Account	511,540
Water Supply Reserve Fund Account	216,237
Water Distribution Works Reserve Fund Account	221,079
Total Reporting Entity	$ 1,017,748

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

KIRWIN IRRIGATION DISTRICT NO. 1
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 is reimbursed by the Kirwin Irrigation District No. 1 for 43% of certain shared monthly expenses along with reimbursements from the United States Department of Interior Bureau of Reclamation for operations and maintenance of the dam.

Budgetary Information

Kansas statutes do not require an annual operating budget be legally adopted for the general fund and special purpose funds of the irrigation 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 $1,017,748 and the bank balance was $1,109,758. 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, $859,758 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. Under the contract the district negotiated its water supply repayment obligation to a fixed contract amount. On December 13, 2005 an amendment to the contract was signed. This 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 amendment the district shall make base water supply payments of $17,772 beginning in 2006 and continuing through 2011, $20,064 from 2012 through 2015, $19,488 in 2016 and $17,198 from 2017 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.

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 $2,293 were to be made in the years 2003 and 2004 and beginning in the year 2005 annual deposits were increased to $11,465 and continue until the funds accumulate to the ceiling amount of $440,256. The required balance in this reserve account is $222,421 on December 31, 2023. The actual balance on December 31, 2023, is $216,237. The reserve fund is underfunded by $6,184.

3. REPAYMENT CONTRACT AND RESERVE REQUIREMENTS (Continued)

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 $20,000 was to be made followed by annual deposits of $1,147 in the years 2003 and 2004 and beginning in the year 2005 annual deposits were increased to $10,319 and continue until the funds accumulate to the ceiling amount of $414,416. The required balance in this reserve account is $218,355 on December 31, 2023. The actual balance on December 31, 2023, is $221,079. The reserve is overfunded by $2,724.

4. COMPLIANCE WITH KANSAS STATUTES

No 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

Kirwin Irrigation District No. 1 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. RELATED PARTY TRANSACTIONS

Kirwin Irrigation District No. 1 and the Webster Irrigation District No. 4 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.

8. 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.

9. 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.

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	$ 11,465
General Fund	Water Distribution Works Reserve Fund	10,319
Total		$ 21,784

12. SUBSEQUENT EVENTS

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	$ 664,990	11/01/42	$ 333,928	$ -	$ 8,599	$ 325,329

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	$ 25,797	$ 17,198	$ 17,198	$ 17,198	$ 17,198	$ 85,990

	2034-2038	2039-2042	Total
PRINCIPAL			
Contract Agreements	$ 85,990	$ 58,760	$ 325,329

KIRWIN IRRIGATION DISTRICT NO. 1

REGULATORY-REQUIRED

SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2023

KIRWIN IRRIGATION DISTRICT NO. 1
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	$ 404,926	$ 401,252	$ 3,674
Reimbursements- Bureau of Reclamation	102,554	100,000	2,554
Reimbursements- Webster Irrigation District	7,726	-	7,726
Nonprofit Income	3,410	-	3,410
Miscellaneous	672	-	672
Interest Income	1,975	-	1,975
Total Receipts	521,263	$ 501,252	$ 20,011
EXPENDITURES			
Salaries & Payroll Taxes	204,389	$ 178,500	$ 25,889
Health & Life Insurance	54,903	52,000	2,903
Retirement	5,619	4,700	919
Insurance & Bonds	29,370	36,000	(6,630)
Utilities & Telephone	7,607	7,500	107
Irrigation Meeting Expense	910	1,000	(90)
Office Expense	6,412	6,000	412
Director's Fees	1,080	1,000	80
Audit Fees	3,600	3,500	100
Miscellaneous	1,144	1,370	(226)
Nonprofit Resale	14,692	2,500	12,192
Motor Fuel & Oil	28,449	35,000	(6,551)
Tools & Equipment	4,357	13,000	(8,643)
Maintenance	9,920	10,000	(80)
Weed Control	42,409	37,000	5,409
Dam Operations & Maintenance	11,224	23,000	(11,776)
Meters	4,509	-	4,509
Pump Power	-	100	(100)
Repairs	27,169	24,000	3,169
Supplies	4,328	3,000	1,328
Tags	1,230	1,100	130
Water Supply Contract Payment	8,599	17,198	(8,599)
O & M Water Supply Works	-	22,000	(22,000)
Operating Transfers:			
Water Supply Reserve Fund	11,465	11,465	-
Water Distribution Works Reserve Fund	10,319	10,319	-
Total Expenditures	493,704	$ 501,252	$ (7,548)
Receipts Over (Under) Expenditures	27,559		
UNENCUMBERED CASH, BEGINNING	545,944		
UNENCUMBERED CASH, ENDING	$ 573,503		

KIRWIN IRRIGATION DISTRICT NO. 1
Gaylord, Kansas
SPECIAL PURPOSE FUND **Schedule 1-2**
SCHEDULE OF RECEIPTS AND EXPENDITURES
Regulatory Basis
For The Year Ended December 31, 2023

WATER SUPPLY RESERVE FUND

RECEIPTS		
Transfer from General Fund	$	11,465
Interest Income		2,053
Total Receipts		13,518
EXPENDITURES		-
Receipts Over (Under) Expenditures		13,518
UNENCUMBERED CASH, BEGINNING		202,719
UNENCUMBERED CASH, ENDING	$	216,237

WATER DISTRIBUTION WORKS RESERVE FUND

RECEIPTS		
Transfer from General Fund	$	10,319
Interest Income		2,101
Total Receipts		12,420
EXPENDITURES		-
Receipts Over (Under) Expenditures		12,420
UNENCUMBERED CASH, BEGINNING		208,659
UNENCUMBERED CASH, ENDING	$	221,079