

**NORTHWEST KANSAS GROUNDWATER
MANAGEMENT DISTRICT NO. 4**

Financial Statement
With Independent Auditors' Report

For the Year Ended December 31, 2019

NORTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 4

Financial Statement With Independent Auditors' Report
For the Year Ended December 31, 2019

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General Fund

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors

Northwest Kansas Groundwater Management District No. 4

Colby, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of **Northwest Kansas Groundwater Management District No. 4**, as of and for the year ended December 31, 2019 and the related notes to the financial statement.

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

As described in Note 1, the financial statement is prepared by **Northwest Kansas Groundwater Management 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

Northwest Kansas Groundwater Management District No. 4

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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.

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” paragraph, the 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 **Northwest Kansas Groundwater Management District No. 4** as of December 31, 2019, 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 **Northwest Kansas Groundwater Management District No. 4** as of December 31, 2019, 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.

Other Matters

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 the 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 analysis and are not a required part of the basic financial statement; however, are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of **Northwest Kansas Groundwater Management District No. 4** as of and for the year ended December 31, 2018 (not presented herein), and have issued our report thereon dated February 13, 2019, which contained an unmodified opinion on the basic financial statement. The 2018 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/chief-financial-officer/municipal-services>. The 2018 actual column (2018 comparative information) presented in the individual fund schedule of regulatory basis receipts and expenditures – actual and budget for the year ended December 31, 2019 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic

financial statement. Such 2018 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 2018 basic financial statement. The 2018 comparative information was subjected to the auditing procedures applied in the audit of the 2018 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 2018 basic financial statement or to the 2018 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 2018 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, 2018, on the basis of accounting described in Note 1.

Adams, Brown, Beran & Ball, Chartered

ADAMS, BROWN, BERAN & BALL, CHTD.

Certified Public Accountants

February 12, 2020

NORTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 4
Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2019

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 Fund								
General Fund		\$ 97,331	-	534,266	418,412	213,185	80,032	293,217
Composition of Cash					Checking Accounts		\$	25,473
					Money Market Account			267,744
					Total Primary Government		\$	293,217

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

NORTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 4

Notes to Financial Statement

December 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Northwest Kansas Groundwater Management District No. 4 has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statement is presented to conform to the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

Financial Reporting Entity

The District is a municipal corporation governed by an elected eleven-member board. A related municipal entity is an entity established to benefit the District and/or its constituents. The District has no related municipal entities.

Basis of Presentation – Fund Accounting

The accounts of the 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 type of fund comprises the financial activities of the District for the year ended December 31, 2019.

Regulatory Basis Fund Type

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

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 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.

NORTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 4

Notes to Financial Statement

December 31, 2019

NOTE 2 – BUDGETARY INFORMATION

Kansas statutes require that before any assessment can be made, the District's board must prepare a budget for the upcoming year to the eligible voters of the **Northwest Kansas Groundwater Management District No. 4** at a budget hearing. The budget hearing must be published in the newspaper in the District at least 28 days prior to the meeting. After the budget hearing, the Board will adopt the proposed budget by resolution as well as determine the amount of land assessment or user charge, or both, that will be needed to support the adopted budget.

The Board can increase the originally adopted budget for previously unbudgeted increases in revenue. There was one budget amendment for this year for the General Fund.

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

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

NOTE 3 – DEPOSITS AND INVESTMENTS

Northwest Kansas Groundwater Management District No. 4 follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund category in the summary statement of receipts, expenditures and unencumbered cash.

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 District in which the District is located, or in an adjoining District 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 K.S.A. 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 District, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The District does not use "peak periods". All deposits were legally secured at December 31, 2019.

NORTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 4

Notes to Financial Statement

December 31, 2019

At December 31, 2019, the District's carrying amount of deposits was \$293,217 and the bank balance was \$297,653. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance and \$47,653 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The District had no investments at December 31, 2019.

NOTE 4 – LITIGATION

Northwest Kansas Groundwater Management District No. 4 is a party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material financial impact on the affected funds of the District.

NOTE 5 – RISK MANAGEMENT

Northwest Kansas Groundwater Management District No. 4 carries commercial insurance for risks of loss, including commercial property, general liability, inland marine, business automobile, workers compensation, and directors and officer's liability insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 6 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description

Northwest Kansas Groundwater Management District No. 4 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 Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 S 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.

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

NORTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 4

Notes to Financial Statement

December 31, 2019

rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate was 8.89% for the fiscal year ended December 31, 2019. Contributions to the pension plan from the City were \$21,500 for the year ended December 31, 2019.

Net Pension Liability

At December 31, 2019, the City's proportionate share of the collective net pension liability reported by KPERS was \$211,255. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019. The City's proportion of the net pension liability was based on the ratio of the City'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 7 – 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, 2018.

NOTE 8 – COMPENSATED ABSENCES

Vacation

Northwest Kansas Groundwater Management District No. 4's policy regarding vacation for full-time employees is as follows:

<u>Years Worked</u>	<u>Amount Earned</u>
0-2	1.00 day/month
2-5	1.25 days/month
5-10	1.50 days/month
10 and over	2.00 days/month

The maximum accrual for vacation shall be no more than 24 days for full-time employees. Upon termination of employment under any circumstances, the employee will be reimbursed for any unused vacation at the employee's pay scale at the time of termination. The potential liability for vacation at December 31, 2019 was \$18,357. This is reflected in the financial statement.

Sick Leave

The District's policy for sick leave permits a full-time employee to earn sick leave at the rate of one day per calendar month worked with no accumulation limit. Sick leave is not paid upon termination of employment. The potential liability for sick leave at December 31, 2019 was \$171,910. This is not reflected in the financial statement.

Discretionary Leave

Two days of discretionary leave is earned per calendar year. There is no carryover allowed.

NORTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 4

Regulatory-Required Supplementary Information

NORTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 4

Summary of Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2019

Fund	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental Type Fund					
General Fund	\$ 721,062	-	721,062	418,412	(302,650)

NORTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 4**General Fund**

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2019

(With Comparative Actual Totals for the Prior Year Ended December 31, 2018)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
County Assessments	\$ 450,225	530,149	530,455	(306)
Interest Income	2,046	2,698	-	2,698
Reimbursements	482	1,419	-	1,419
Total Receipts	<u>452,753</u>	<u>534,266</u>	<u>530,455</u>	<u>3,811</u>
Expenditures				
Postage	3,028	2,693	5,000	(2,307)
Printing	2,342	2,344	2,800	(456)
Dues	350	350	500	(150)
Subscriptions	1,924	1,995	3,700	(1,705)
Insurance	12,788	11,341	13,400	(2,059)
Telephone	3,807	5,397	4,000	1,397
Salaries and Benefits	325,969	301,596	341,000	(39,404)
Travel	6,220	8,083	12,000	(3,917)
Vehicles	3,094	5,372	4,465	907
Contracted Services	112,098	39,460	111,700	(72,240)
Publications	564	1,025	1,000	25
Co-op Programs	330	902	2,000	(1,098)
Administrative	6,435	5,267	8,350	(3,083)
New Equipment	12,932	8,272	13,000	(4,728)
Reserve for Contingency	113	2,134	171,807	(169,673)
Facility	16,625	20,493	26,340	(5,847)
Miscellaneous	-	1,688	-	1,688
Total Expenditures	<u>508,619</u>	<u>418,412</u>	<u>721,062</u>	<u>(302,650)</u>
Receipts Over (Under) Expenditures	(55,866)	115,854		
Unencumbered Cash - Beginning	<u>153,197</u>	<u>97,331</u>		
Unencumbered Cash - Ending	\$ <u>97,331</u>	<u>213,185</u>		