

KANSAS STATE RESEARCH AND
EXTENSION COUNCIL
– HARVEY COUNTY, KANSAS

Financial Statement

For the Year Ended December 31, 2020

Kansas State Research and Extension Council
– Harvey County, Kansas

For the Year Ended December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

Executive Board
Kansas State Research and Extension Council
Harvey County, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Kansas State Research and Extension Council – Harvey County, Kansas (Council), as of and for the year ended December 31, 2020, and the related disclosures 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.

Auditor's 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 that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of 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 Council'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 Council'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 of the financial statement, the financial statement is prepared by the Council 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.

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 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 the Council as of December 31, 2020, 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 Council as of December 31, 2020, 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 2020 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 analysis and are not a required part of the 2020 basic financial statement, but 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 2020 basic financial statement. The 2020 information has been subjected to the auditing procedures applied in the audit of the 2020 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 2020 basic financial statement or to the 2020 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 2020 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 the Council as of and for the year ended December 31, 2019 (not presented herein), and have issued our report thereon dated August 4, 2020, which contained an unmodified opinion on the basic financial statement. The 2019 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 <https://admin.ks.gov/offices/oar/municipal-services>. The 2019 actual column (2019 comparative information) presented in the individual fund schedule of regulatory basis receipts and expenditures-actual and budget for the year ended December 31, 2020 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the 2020 basic financial statement. Such 2019 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 2019 basic financial statement. The 2019 comparative information was subjected to the auditing procedures applied in the audit of the 2019 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 2019 basic financial statement or to the 2019 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 2019 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, 2019, on the basis of accounting described in Note 1.

Krudsen, Monroe & Company, LLC

Certified Public Accountants
Newton, Kansas
August 5, 2021

Kansas State Research and Extension Council – Harvey County
SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
Regulatory Basis
For the Year Ended December 31, 2020

<u>Fund</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
General Fund	\$ 418,457	424,566	394,725	448,298	-	448,298

Composition of Cash

Intrust Bank	
Checking	\$ 188,209
Money Market	179,279
Certificate of Deposit	<u>80,810</u>
Total Reporting Entity	\$ <u>448,298</u>

NOTES TO FINANCIAL STATEMENT

December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Municipal Financial Reporting Entity

The Kansas State Research and Extension Council – Harvey County (Council) in cooperation with Kansas State University Cooperative Extension Service, Manhattan, Kansas, provides research based information to help improve quality of life. The Council is governed by a nine-member executive board. This regulatory financial statement includes only the activity of the Council for the year ended December 31, 2020.

Regulatory Basis Fund Type

General Fund - used to account for all resources except those required to be accounted for in another fund.

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

The *Kansas Municipal Audit and Accounting Guide* (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 Council 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 Council to use the regulatory basis of accounting.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the General Fund. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

On or before July 15th file with the county commission, in the office of the county clerk.

1. List of the current council and board members.
2. Certification of election of officers.
3. Certification by the Director of K-State Research and Extension that the Council is properly functioning and entitled to receive the appropriations provided by law.
4. A proposed budget prepared in cooperation with the authorized representative of the Director of K-State Research and Extension.

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. A budget comparison schedule is presented for the General Fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

NOTES TO FINANCIAL STATEMENT

December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The legal annual operating budget is prepared using the regulatory basis of accounting, in which regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the Council 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.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Kansas Statutes

Management is not aware of any statutory violation incurred in the year ended December 31, 2020.

3. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the Council. The statute requires banks eligible to hold the Council's funds have a main or branch bank in the county in which the Council 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 Council has no other policies that would further limit interest rate risk.

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

Concentration of Credit Risk

State statutes place no limit on the amount the Council 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 Council's deposits may not be returned to it. State statutes require the Council'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. All deposits were legally secured at December 31, 2020.

At December 31, 2020, the Council's carrying amount of deposits was \$448,298, and the bank balance was \$491,601. 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 the remaining \$241,601 was collateralized with securities held by the pledging financial institution's agents in the Council's name.

NOTES TO FINANCIAL STATEMENT

December 31, 2020

4. DEFINED BENEFIT PENSION PLAN

Plan Description

The Council 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 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 8.61% for the fiscal year ended December 31, 2020. Contributions to the pension plan from the Council were \$7,659 for the year ended December 31, 2020.

Net Pension Liability

At December 31, 2020, the Council's proportionate share of the collective net pension liability reported by KPERS was \$66,208. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019, which was rolled forward to June 30, 2020. The Council's proportion of the net pension liability was based on the ratio of the Council'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.

5. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Other Post-Employment Benefits

As provided by K.S.A. 12-5040, the Council allows retirees to participate in the group health insurance plan. Each retiree pays the full amount of their applicable premium. The Council does not currently have any retirees that participate.

Kansas State Research and Extension Council – Harvey County

NOTES TO FINANCIAL STATEMENT

December 31, 2020

5. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS (Continued)

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Council makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

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, 2020.

Compensated Absences

The Council's personnel policies grant compensated absences in the form of vacation and sick days each year. All personnel earn vacation time per the following schedule:

Years of Service	Per Year	
	Full-Time	Part-Time
Staff:		
Completion of one through 5 years	12 days	6.0 days
After five years	15 days	7.5 days
After ten years	18 days	9.0 days
After fifteen years	22 days	11.0 days
Extension Agents:		
Every year of employment	22 days	

Unused vacation leave may be accrued from year to year, except that the maximum accrual shall not exceed 38 days. Unused vacation time is paid to employees upon termination.

All full time employees accrue sick leave at the rate of twelve days per year of service. Unused sick leave may be accrued from year to year, except that the maximum accrual shall not exceed 150 days. Unused sick leave is paid to employees upon termination on a prorated basis.

Unused vacation and sick leave has not been recorded as a liability in the accompanying financial statement.

6. RISK MANAGEMENT

The Council 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 Council obtains coverage from commercial insurance companies in order to effectively manage risk. There have been no significant reductions in insurance coverage from 2019 to 2020 and there were no settlements that exceeded insurance coverage in the past three years.

During the ordinary course of its operations, the Council is a party to various claims, legal actions and complaints. It is the opinion of the Council's management and legal counsel that these matters are not anticipated to have a material financial impact on the Council.

NOTES TO FINANCIAL STATEMENT

December 31, 2020

7. RELATED PARTIES

The Council is affiliated with the Kansas State University Research and Extension Department (K-State). As part of this affiliation, the Council's extension agents are employed directly by K-State and receive the associated employee benefits. The Council reimburses K-State for a portion of the agents' salaries. K-State funding of agent salaries and benefits for the year ending December 31, 2020 was \$53,354 and has been reflected as a reimbursement and expense in the financial statement.

The Council entered into an agreement with Harvey County that defines their respective rights, responsibilities, and obligations with regard to the operation and administration of the extension office. This agreement primarily identifies that Harvey County will provide office space for the Council Office at the County courthouse, rent free.

8. CORONAVIRUS PANDEMIC

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern," which has impacted global commercial activity. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic conditions and trigger a period of global economic slowdown. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Council's financial condition, liquidity and future results of operations. Management is actively monitoring the global and local situation on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Council is not able to estimate the effects of the COVID-19 outbreak on its results of operations financial condition or liquidity for fiscal year 2021.

As a result of COVID-19, the State of Kansas received Coronavirus Relief Funds (CRF) under the Coronavirus Aid, Relief and Economic Security (CARES) Act. CRF funds were passed through to the Council by the Kansas Department of Commerce, in the amount of \$650 during 2020. These funds were used for costs incurred for COVID-19 related safety equipment sanitization supplies, additional signage and other items to comply with COVID-19 public health guidelines.

The Council also received CARES funding from Harvey County and Central Kansas Community Foundation for IT Improvements and Small Capital Improvements that Promote Social Distancing, in the amount of \$7,343. Additional information and updates on the CARES Act and CRF, which includes audit requirements, can be found at <https://covid.ks.gov>.

9. DATE OF MANAGEMENT'S REVIEW

Management has performed an analysis of the activities and transactions subsequent to December 31, 2020, to determine the need for any adjustments to and/or disclosures within the audited financial statement. Management has performed their analysis through August 5, 2021, which is the date at which the financial statement was available to be issued.

KANSAS STATE RESEARCH AND EXTENSION COUNCIL
– HARVEY COUNTY

REGULATORY – REQUIRED

SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2020

Kansas State Research and Extension Council – Harvey County
SUMMARY OF EXPENDITURES – ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2020

<u>Fund</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Over (Under)</u>
GENERAL FUND	\$ 481,300	-	481,300	394,725	(86,575)

Kansas State Research and Extension Council – Harvey County

General Fund

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Regulatory Basis

For the Year Ended December 31, 2020

(With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
RECEIPTS				
County appropriations	\$ 340,142	347,053	347,053	-
Kansas State University	57,564	53,354	56,836	(3,482)
Educational services cost recovery	14,835	13,385	30,000	(16,615)
Interest and other income	3,354	2,781	-	2,781
CARES Community Public Health Grant	-	7,343	-	7,343
CARES PPE Grant	-	650	-	650
Equipment replacement reserve	-	-	20,000	(20,000)
Total Receipts	<u>415,895</u>	<u>424,566</u>	<u>453,889</u>	<u>(29,323)</u>
EXPENDITURES				
Salaries	273,287	295,308	309,750	(14,442)
Employee benefits	56,937	64,010	75,000	(10,990)
Office supplies	4,756	3,439	6,500	(3,061)
Travel	9,115	3,333	8,500	(5,167)
Educational services	10,368	13,444	30,000	(16,556)
Subsistence	5,124	383	5,000	(4,617)
Capital outlay	2,265	2,479	31,000	(28,521)
Telephone	765	1,424	1,050	374
Audit	6,038	4,677	5,500	(823)
Other	8,295	6,228	9,000	(2,772)
Total Expenditures	<u>376,950</u>	<u>394,725</u>	<u>481,300</u>	<u>(86,575)</u>
Receipts over (under) expenditures	38,945	29,841		
UNENCUMBERED CASH, beginning	<u>379,512</u>	<u>418,457</u>		
UNENCUMBERED CASH, ending	<u>\$ 418,457</u>	<u>448,298</u>		