Independent Auditor's Report and Financial Statement

Extension Council of Shawnee County, Kansas

December 31, 2019

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Independent Auditor's Report

Executive Board
Extension Council of Shawnee County, Kansas
Topeka, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Extension Council of Shawnee County, Kansas, 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 A2; 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 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 A2 of the financial statement, the financial statement is prepared by the Extension Council of Shawnee County, Kansas, 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.

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The effects on the financial statement of the variances between the regulatory basis of accounting described in Note A2 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 Extension Council of Shawnee County, Kansas, 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 the Extension Council of Shawnee County, Kansas, 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 A2.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis of receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures - actual and budget, individual fund schedules of regulatory basis receipts and expenditures - actual and budget (Schedules 1 and 2 as listed in the accompanying contents page) 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 A2.

Wendling Noe Nelson & Johnson LLC

Topeka, Kansas
August 4, 2020

Extension Council of Shawnee County, Kansas
Summary of Cash Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Year ended December 31, 2019

Funds	Beginning unencumbered cash balance	Prior year cancelled encumbrances	Cash receipts	Expenditures	Ending unencumbered cash balance	Add outstanding encumbrances and accounts payable	Ending cash balance
General Fund	$ 531,263	$ -	$ 760,073	$ 768,161	$ 523,175	$ 36,170	$ 559,345
Total reporting entity	$ 531,263	$ -	$ 760,073	$ 768,161	$ 523,175	$ 36,170	$ 559,345

Composition of cash	
Checking account	$ (5,601)
Savings account	364,946
Certificate of deposit 6869	150,000
Certificate of deposit 6870	50,000
Total cash	$ 559,345

The accompanying notes are an integral part of this statement.

Extension Council of Shawnee County, Kansas
Notes to Financial Statement
December 31, 2019

Note A - Summary of Significant Accounting Policies

1. Financial reporting entity

The Extension Council of Shawnee County, Kansas (the Council), in cooperation with Kansas State University, provides technical assistance, information, and education that improves family, farm, and community life. The Council provides practical and useful information through educational programs which are based on scientific knowledge, applied principles, and recommended practices. This financial statement contains only the financial information related to the Extension Council of Shawnee County, Kansas.

The Council has a related municipal entity which is the Shawnee County Educational Foundation (the Foundation). The Foundation is a separate nonprofit entity whose sole purpose is to receive donations to benefit the Council. This related municipal entity is not presented.

2. Basis of accounting

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 revenues 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.

Regulatory Basis Fund Type

The accounts of the Council are organized and operated on the basis of funds. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts.

General Fund - the chief operating fund. Used to account for all resources of the Council except those required to be accounted for in another fund. During 2019, no resources were required to be accounted for in another fund.

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.

3. Budgetary control and encumbrances

The budget for the Council is submitted to and becomes part of the budget for Shawnee County, Kansas. All statutory requirements for publication, public hearings, and adoption of the final budget are accomplished for the Council as part of the budget process of the county. The Council interlocal is exempt from the budget law (K.S.A. 79-2935).

All budgets are prepared utilizing the budgetary basis of accounting, modified further by the encumbrance method of accounting as described in Note A2. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances.

Note A - Summary of Significant Accounting Policies - Continued

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. All unencumbered appropriations lapse at year-end.

Annual budgets are adopted by the Executive Board and are approved by the Shawnee County Commission. Original appropriations are modified as necessary and all significant changes are approved by the Executive Board.

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 statements are presented for the general fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

Note B - 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 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. The rating of the Council's investments is noted above.

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, 2019.

At December 31, 2019, the Council's carrying amount of deposits was $559,345 and the bank balance was $568,567. Of the bank balance, $203,620 was covered by federal depository insurance, and $364,947 was collateralized with securities held by the pledging financial institutions' agents in the Council's name.

Note C - Stewardship, Compliance, and Accountability

Statutory violations

Under Kansas statutes, expenditures are mandated to be controlled so that no indebtedness is created in excess of budgeted limits. Management is not aware of any statutory violations.

Note D - 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 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2, or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6 percent of covered salary for all 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 employer rates established by statute at December 31, 2019, are 8.89 percent. The Council contributions to KPERS for the year ended December 31, 2019, were $8,760.

Net pension liability

At December 31, 2019, the Council's proportionate share of the collective net pension liability reported by KPERS was $66,976. 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 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 nonemployer 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 publically available on the website at www.kpers.org or can be obtained as described above.

Note E - Other Post Employment Benefits

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. Each retiree pays the full amount of the applicable age adjusted premium, which is expected to cover the costs of the retiree benefits, thus, there is no cost to the Council.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government 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. There is no cost to the government under this program.

Note F - Compensated Absences

The Council's compensated absence policy permits employees to be paid for accumulated annual and sick leave as follows:

- Full time, permanent employees who have completed 90 days probationary period are eligible for a payout of their accrued but unused annual leave up to a maximum of 144-240 hours depending on total years of service.

- Full time, permanent employees accrue 8 hours per month of sick leave which can be accumulated with no limit. Employees that have 8 or more years of service and have accumulated sick leave of 800 hours or more will be paid upon retirement up to 480 hours depending on total years served.

No liability for compensated absences is recorded on the Council's financial statement. Expense is recognized when the leave is used.

Note G - Risk Management

The Council purchases commercial insurance to limit its exposure to various risks of loss related to torts, theft of, damage to and destructions of assets; errors and omissions, and natural disasters. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note H - Related Party

The Council is affiliated with Kansas State University and pays a portion of the extension agent's salaries. These agents are employees of Kansas State University and participate in all of the University's benefits including their retirement plan. The Council also recognizes a portion of the salaries of these agents' salaries which is funded by the University. This portion is recorded as a cash receipt and an expense for the same amount. The amount of support recognized for the year ended December 31, 2019, was $69,299.

The Council also was appropriated and received $596,748 from Shawnee County, Kansas for the year ended December 31, 2019.

Note I - Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statement was available to be issued.

Subsequent to year-end, the Council has been negatively impacted by the effects of the worldwide coronavirus pandemic. The Council is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Council's financial position is not known.

Regulatory - Required Supplementary Information

Schedule 1

Extension Council of Shawnee County, Kansas
Schedule of Expenditures - Actual and Budget
Regulatory Basis
For the Year ended December 31, 2019

Funds	Certified budget	Adjustments for qualifying budget credits	Total for budget comparison	Expenditures chargeable to current year	Variance favorable (unfavorable)
General Fund	$ 902,426	$ -	$ 902,426	$ 768,161	$ 134,265

Extension Council of Shawnee County, Kansas
General Fund
Schedule of Cash Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year ended December 31, 2019

	Actual	Budget	Variance favorable (unfavorable)
Cash receipts			
County appropriation	$ 596,748	$ 596,748	$ -
Kansas State University salaries paid directly to agents	69,299	67,678	1,621
Education and reimbursable	88,362	200,000	(111,638)
Interest and other income	5,664	1,000	4,664
Equipment replacement reserve		12,000	(12,000)
Unencumbered cash balance		25,000	(25,000)
Total cash receipts	760,073	902,426	(142,353)
Expenditures			
Salaries	457,313	451,000	(6,313)
Employee benefits	115,771	135,000	19,229
Rent, heat, and lights	22,031	25,000	2,969
Supplies, stationary, and postage	8,093	10,500	2,407
Equipment/auto exchange	32,087	26,000	(6,087)
Telephone	4,976	5,000	24
Educational program support	12,763	13,500	737
Travel	11,588	10,000	(1,588)
Subsistence	4,140	3,926	(214)
Printing, audit, treasurer bond, and insurance	9,586	10,500	914
Equipment replacement reserve	9,836	12,000	2,164
Nonappropriated funds (reimbursable transactions)	79,977	200,000	120,023
Total expenditures	768,161	902,426	134,265
Receipts over (under) expenditures	(8,088)	-	(8,088)
Unencumbered cash balance beginning of year	531,263	531,263	-
Unencumbered cash balance end of year	$ 523,175	$ 531,263	$ (8,088)