

RENO COUNTY, KANSAS PUBLIC BUILDING COMMISSION

Financial Statement With Independent Auditors' Report

For the Year Ended December 31, 2019

RENO COUNTY, KANSAS PUBLIC BUILDING COMMISSION
Financial Statement With Independent Auditors' Report
For the Year Ended December 31, 2019

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Individually presented by fund

Governmental Type Fund

Bond and Interest Fund

1-1 Public Works Facility Debt Service Fund 10



Phone (620) 663-5659 ■ Fax (620) 663-6745 ■ www.abbb.com

1701 Landon Street
Hutchinson, Kansas 67502-5663

Certified
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Accountants

INDEPENDENT AUDITORS' REPORT

To the Commission
Reno County, Kansas Public Building Commission
Hutchinson, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of **Reno County, Kansas Public Building Commission**, a related municipal entity of Reno 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 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 **Reno County, Kansas Public Building Commission** on the basis of the financial reporting provisions of the *Kansas Municipal Audit and*

Reno County, Kansas Public Building Commission

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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 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 **Reno County, Kansas Public Building Commission** 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 **Reno County, Kansas Public Building Commission** 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 individual fund schedule of regulatory basis receipts and expenditures – actual (Schedule 1 as listed in the table of contents) is presented for analysis and is 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.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of **Reno County, Kansas Public Building Commission** as of and for the year ended December 31, 2018 (not presented herein), and have issued our report thereon dated April 25, 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 schedules of regulatory basis receipts and expenditures – actual 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

Reno County, Kansas Public Building Commission

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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

April 29, 2020

RENO COUNTY, KANSAS PUBLIC BUILDING COMMISSION
 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							
Bond and Interest Fund							
Public Works Facility Debt Service Fund	\$ 5,452	-	415,001	417,700	2,753	-	2,753
			Composition of Cash		Checking Account	\$	2,753

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

RENO COUNTY, KANSAS PUBLIC BUILDING COMMISSION

Notes to Financial Statement

December 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reno County, Kansas Public Building Commission 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.

Use of Estimates

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the reported amount of unencumbered cash balances and accounts payable during the reporting period. Actual results could differ from those estimates.

Financial Reporting Entity

The Commission is a municipal corporation of the State of Kansas under the authority of K.S.A. 12-1757 *et seq.* and Charter Resolution No. 98-4 of Reno County, Kansas. The Commission has been organized by the governing body of Reno County, Kansas for the purposes of acquiring a site or sites for and constructing, reconstructing, equipping and furnishing, or purchasing or otherwise acquiring, a building or buildings or other facilities of a revenue producing character and is governed by a three member committee. The accompanying financial statement includes all funds which are controlled by or are dependent on the Commission. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

The Commission is a related municipal entity of Reno County, Kansas. The members are appointed by the Reno County Commissioners. The Commission has the power and authority to issue revenue bonds to provide funds for the purpose of paying all or a portion of the costs of the project.

Basis of Presentation – Fund Accounting

The accounts of the Commission 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 Commission for the year ended December 31, 2019.

Regulatory Basis Fund Type

Bond and Interest Fund – used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

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

RENO COUNTY, KANSAS PUBLIC BUILDING COMMISSION

Notes to Financial Statement

December 31, 2019

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 Commission 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 Commission to use the regulatory basis of accounting.

Departure From Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the Commission are not presented in the financial statement. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, and temporary notes are not presented in the financial statement.

Restricted Assets

Restricted cash balances are reported in various funds that are legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt and for expenditures approved in federal and state grant contracts.

Reimbursements

The Commission 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.

NOTE 2 – BUDGETARY INFORMATION

The Commission is not subject to the legal annual operating budget requirements.

NOTE 3 – DEPOSITS AND INVESTMENTS

The Commission 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 Commission. The statute requires banks eligible to hold the Commission's funds have a main or branch bank in the county in which the Commission 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 Commission has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Commission's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes;

RENO COUNTY, KANSAS PUBLIC BUILDING COMMISSION

Notes to Financial Statement

December 31, 2019

no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Commission has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the Commission 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 Commission's deposits may not be returned to it. State statutes require the Commission'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 Commission does not use "peak periods". All deposits were legally secured at December 31, 2019.

At December 31, 2019, the Commission's carrying amount of deposits was \$2,753 and the bank balance was \$2,753. The bank balance was held by one bank resulting in a concentration of credit risk. The bank balance was fully covered by federal depository insurance.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Commission 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 Commission had no investments at December 31, 2019.

NOTE 4 – LITIGATION

The Commission 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 Commission.

NOTE 5 – LEASE RECEIVABLE

The Commission entered into the following lease agreement with Reno County, Kansas:

Public Works Facility 2014 Agreement

The County is obligated to make payments to the Commission equivalent to the debt that the Commission has assumed in order to pay its outstanding revenue bonds. The Commission covenants that unless the County is in default under the lease obligation, it will not, without the County's written consent unless required by law, sell or otherwise part with or encumber its fee or other ownership interest in the project at any time during the life of the lease. The County covenants and agrees that it will, during the term of the lease obligation, keep and maintain the project and all parts thereof in good condition and repair, including but not limited to, the furnishing of all parts, mechanisms and devices required to keep the machinery, equipment and personal property constituting a part of the project in good mechanical and working order, and that during said period of time it will keep the project and all parts thereof free from filth, nuisance or conditions unreasonably increasing the danger of fire. Total payments receivable are scheduled below.

RENO COUNTY, KANSAS PUBLIC BUILDING COMMISSION
Notes to Financial Statement
December 31, 2019

<u>Years Ending December 31</u>	<u>Total</u>
2020	414,025
2021	411,125
2022	<u>87,125</u>
Total	\$ <u>912,275</u>

NOTE 6 – LONG-TERM DEBT

The Commission has the following type of long-term debt.

Revenue Bonds

On March 26, 2014, the Commission issued \$2,470,000 in Revenue Bonds - Series 2014 to retire \$2,355,000 of Revenue Bonds - Series 2007. The bonds have varying maturities with semiannual payments. Interest rates range from 2.00% to 2.50% depending on the maturity date.

RENO COUNTY, KANSAS PUBLIC BUILDING COMMISSION

Notes to Financial Statement

December 31, 2019

Changes in long-term liabilities for the Commission for the year ended December 31, 2019, 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	Interest Paid
Revenue Bonds									
Series 2014	2.0-2.5%	3/26/2014	\$ 2,470,000	10/1/2022	\$ 1,265,000	-	(385,000)	880,000	26,725

Current maturities of long-term debt and interest for the next three years through maturity are as follows:

Issue	YEAR			
	2020	2021	2022	Total
Principal				
Series 2014	\$ 395,000	400,000	85,000	880,000
Interest				
Series 2014	19,025	11,125	2,125	32,275
Total Principal and Interest \$	414,025	411,125	87,125	912,275

RENO COUNTY, KANSAS PUBLIC BUILDING COMMISSION

Regulatory-Required Supplementary Information

RENO COUNTY, KANSAS PUBLIC BUILDING COMMISSION
Public Works Facility Debt Service Fund
Schedule of Receipts and Expenditures
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 Actual
Receipts		
Rental Income - County	\$ 422,162	415,000
Interest Income	2	1
Total Receipts	<u>422,164</u>	<u>415,001</u>
Expenditures		
Contractual Services	3,445	5,975
Debt Service Principal	380,000	385,000
Debt Service Interest and Fees	34,325	26,725
Total Expenditures	<u>417,770</u>	<u>417,700</u>
Receipts Over (Under) Expenditures	4,394	(2,699)
Unencumbered Cash - Beginning	<u>1,058</u>	<u>5,452</u>
Unencumbered Cash - Ending	<u>\$ 5,452</u>	<u>2,753</u>



Phone (620) 663-5659 ■ Fax (620) 663-6745 ■ www.abbb.com

517 E. 30th Avenue, Suite C

Hutchinson, KS 67502

Certified
Public
Accountants

April 29, 2020

To the Commission
Reno County, Kansas Public Building Commission
Hutchinson, Kansas

Governance Letter

We have audited the financial statement of **Reno County, Kansas Public Building Commission** for the year ended December 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 14, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by **Reno County, Kansas Public Building Commission** are described in Note 1 to the financial statement. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2019. We noted no transactions entered into by the Commission during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statement or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Reno County, Kansas Public Building Commission

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April 29, 2020

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 29, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Commission’s financial statement or a determination of the type of auditors’ opinion that may be expressed on that statement, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Commission’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statement, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the regulatory basis of accounting, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statement. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statement or to the financial statement itself.

This information is intended solely for the use of the Commission and management of **Reno County, Kansas Public Building Commission** and is not intended to be, and should not be, used by anyone other than these specified parties.

Adams, Brown, Beran & Ball, Chartered

ADAMS, BROWN, BERAN & BALL, CHTD.

Certified Public Accountants