

KANSAS AGRICULTURAL REMEDIATION BOARD

FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2018 AND 2017

CHV**COCHRAN HEAD VICK & CO., P.A.****& Co***Certified Public Accountants*INDEPENDENT AUDITOR'S REPORT

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Kansas and Missouri

To the Board of Directors
Kansas Agricultural Remediation Board
Topeka, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the Kansas Agricultural Remediation Board (the Board) which comprises the statements of cash receipts and disbursements for the years ended December 31, 2018 and 2017, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessments of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash transactions of the Board for the years ended December 31, 2018 and 2017, in accordance with the basis of accounting described in Note 2.

Emphasis-of-Matter

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report Issued in Accordance with Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated January 25, 2019 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Board's internal control over financial reporting and compliance.

Cochran Head Vint & Co., P.A.

Overland Park, Kansas
January 25, 2019

KANSAS AGRICULTURAL REMEDIATION BOARD
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash receipts:		
Grain storage fees	\$ 475,992	\$ 511,953
Pesticide products fees	434,580	590,160
Fertilizer products fees	141,360	157,315
Pesticide business dealer fees	92,035	108,305
Custom fertilizer blender fees	42,822	43,525
Fees on remediation property sold	5,000	7,000
Interest	<u>3,221</u>	<u>1,043</u>
Total cash receipts	<u>1,195,010</u>	<u>1,419,301</u>
Disbursements:		
Remediation payments	1,205,134	1,019,812
Management fee	108,000	108,000
Administrative fee	9,000	9,000
Audit fee	5,150	5,000
Other	1,178	1,066
Transportation charge to be reimbursed by KDA	<u>200</u>	<u>-</u>
Total disbursements	<u>1,328,662</u>	<u>1,142,878</u>
Excess of receipts over (under) cash disbursements	(133,652)	276,423
Beginning cash, January 1	<u>585,031</u>	<u>308,608</u>
Ending cash, December 31	<u>\$ 451,379</u>	<u>\$ 585,031</u>

See accompanying notes to the financial statements.

Kansas Agricultural Remediation Board
Notes to the Financial Statements
For the years ended December 31, 2018 and 2017

1. Organization

The Kansas Agricultural Remediation Board (the Board) was established by Section 9 of Senate Bill No. 501 to administer the Kansas Agricultural Remediation Fund (the Fund) and the Remediation Reimbursement Program. The law went into effect in July 2000. The Board was appointed and confirmed in the fall of 2000 and consists of five governor-appointed members each representing a different area of agriculture. In addition, there are two ex-officio members who represent the Kansas Department of Agriculture and the Kansas Department of Health and Environment. The Board has the authority to adopt rules and regulations and establish standards and procedures related to the remediation reimbursement program for properties where contamination was caused by a release of agricultural or specialty chemicals or both. Receipts represent environmental assessments imposed on users/dealers of certain chemicals. The funds of the Board are fiduciary funds of the State of Kansas.

Per Kansas State Statute 2-3714, the remediation reimbursement program, as well as the Fund, is scheduled to be abolished as of July 1, 2020.

A proposed House Bill No. 2001 has been sponsored and pre filed by the Chair of the House Committee on Agriculture for consideration in the 2019 house session. The proposed House Bill provides for extending the sunset date (July 1, 2020) for the remediation linked deposit program, the remediation reimbursement program and the Fund until July 1, 2030. The proposed House Bill also provides for amending the various annual assessment fees charged by the Board. The House of Representatives is expected to vote on the House Bill in January 2019.

2. Basis of Accounting

The Board's policy is to prepare its financial statements on the cash receipts and disbursements basis of accounting; consequently, revenues are recognized when received rather than when earned and expenses are recognized when paid rather than when incurred.

3. Management Agreement

The Board has a management agreement with the Kansas Grain and Feed Association (the Association). This agreement may be renewed each June at the Board's discretion. In 2018, the agreement was renewed for the period July 1, 2018 to June 30, 2019. The agreement stipulates that the Board will pay the Association an annual management fee of \$ 108,000 in four quarterly payments of \$27,000. The agreement is for management services to the Board consisting of general office administration, services needed for implementation of Senate Bill No. 501, preparation of the annual report, and other staff and office resources. In 2018, there were payments totaling \$108,000 (\$27,000 for the 2017 management fee and \$81,000 for the 2018 management fee). In 2016, there was \$108,000 in payments (\$27,000 for 2016 and \$81,000 for 2017).

Kansas Agricultural Remediation Board
Notes to the Financial Statements
For the years ended December 31, 2018 and 2017

4. Service Agreement

The Board has a service agreement with the Kansas Department of Agriculture (KDA) to provide accounting and transaction processing services. In 2018, the agreement was renewed for the period July 1, 2018 to June 30, 2019. This agreement shall remain in effect until cancelled. The agreement can be cancelled by either party upon 60 days written notice. The agreement stipulates that the Board will pay KDA an annual accounting fee of \$9,000 due on the first day of July for the period ending June 30, 2019, and for each one year period thereafter that the agreement remains in force. The services fees paid during the years ended December 31, 2018 and 2017 were \$9,000, respectively.

5. Pending Applications

At December 31, 2018 and 2017, there were reimbursement applications of \$127,766 and \$330,000, respectively, approved by the Board but not paid as of year-end.

6. Subsequent Events

Management has evaluated subsequent events through the date of the independent auditor's report, which is the date that the financial statement were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

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Board of Directors
Kansas Agricultural Remediation Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Kansas Agricultural Remediation Board (the Board) which comprises the statements of cash receipts and disbursements as of December 31, 2018 and 2017, and the related notes to the financial statements, and have issued our report thereon dated January 25, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Board's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Overland Park, Kansas
January 25, 2019

Cochran Head Vito & Co., P.A.