



Certified Public Accountants

**INFORMATION NETWORK OF
KANSAS, INC.**
(A COMPONENT UNIT OF THE STATE OF KANSAS)

**FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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(A COMPONENT UNIT OF THE STATE OF KANSAS)
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Years Ended December 31, 2021 and 2020

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 6
Basic Financial Statements:	
Balance Sheets	7
Statements of Revenues, Expenses and Changes in Net Position	8
Statements of Cash Flows	9
Notes to Basic Financial Statements	10 - 13



INDEPENDENT AUDITORS' REPORT

Board of Directors
Information Network of Kansas, Inc.:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Information Network of Kansas, Inc. (INK), a component unit of the State of Kansas, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise INK's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of INK as of December 31, 2021 and 2020, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of INK, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about INK's ability to continue as a going concern for twelve months beyond the financials statement date, including any currently known information that may raise substantial doubt shortly thereafter.

An Independently Owned Member, RSM US Alliance

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 INK's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about INK's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 – 6 be presented to supplement the basic financial statements. Such information, is the responsibility of management and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

BT&Co., P.A.

September 2, 2022
Topeka, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Information Network of Kansas, Inc. (INK), we offer readers of INK's financial statements this narrative overview and analysis of the financial activities of INK for the years ended December 31, 2021 and 2020.

INK was created by the Legislature of the State of Kansas in 1990. Its purposes and duties include providing the citizens of Kansas electronic access to public information of agencies via a gateway service; developing and maintaining an electronic network for access to public information; exploring and implementing ways and means of expanding the amount and kind of public information available and the base of users for it, along with new technological means for improving citizen and business access to public information and for-profit information and databases; oversight of the network manager in performing these duties; and advising the Secretary of Administration, Office of Information Technology Services and other state agencies regarding the provision of state data to the citizens and businesses of Kansas.

The statute (K.S.A. 74-9303) provides for a managing board of nine members, consisting of:

- The Secretary of State
- Two members who are chief executive officers of agencies of the executive branch, appointed by the Governor
- One member of the Kansas Bar Association, appointed by the Governor from a list of three members submitted by the association
- One member from the Kansas Public Libraries Association, appointed by the Governor from a list of three members submitted by the Association
- The executive branch Chief Information Technology Officer
- Three members representing user associations of a statewide character, appointed by the Governor from a list of three members for each user association submitted by the INK Board of Directors

The INK Board of Directors met for the first time in November 1990 and used a competitive bid process to select a network manager, commencing operations on January 16, 1992. The Board determines which services are to be offered to the public, the amount of the user fees, and administers the contract with the network manager. The board usually meets once a month, with committees meeting more often as required. All members serve without compensation. Travel expenses of board members are reimbursed. Portal revenue is generated from user fees and interest-bearing accounts. No State General Funds are appropriated to fund INK.

Financial Support

The major source of user fees is paid by vendors that supply insurance companies with Kansas driver information. A second main source of revenue is interactive fees from groups of business users of the network. Main groups of business users include information resellers, commercial banks, lawyers, accountants, and the general public. INK also provides web application development services for professional licensing, registration, and other government services to business and the public, along with payment processing for state, county, and local government organizations.

INK Management

The Kansas Information Consortium LLC (KIC), a for-profit organization, was formed for the sole purpose of operating the network for the Board. KIC worked under the original contract, with extensions through December 31, 2002. A Request for Proposal for a network manager was issued by the board in 2002, consideration of vendors followed, and the board subsequently entered into a contract with KIC. Subsequent contracts were executed with KIC in 2008 and again in 2011, and most recently in 2014, amended in 2018.

The current contract provides that all gross fees are collected by INK and, after payment of direct costs to agencies in supplying data and shared portal expenses, 85% of such gross profit is to be paid to KIC for operating expense. The network manager submits an annual business plan to the INK board for approval, enumerating expected costs of operations and anticipated revenues.

The INK board hired a full-time executive director in 2002. In 2015, INK hired a project manager to assist in coordinating the effort to build an online destination for Kansas business owners to file required documentation across state agencies. At the end of Q1 2016, the executive director position became vacant, with the principal duties assumed by the project manager in addition to his regular duties. After a public recruitment effort, the Board hired a new Executive Director in June 2019. The INK office is currently located in the Landon State Office Building in Topeka. The Department of Administration Service Center in conjunction with the State Office of Personnel Services performs the Executive Director's payroll administration. INK provides funds to the Service Center for all salary and benefits on a quarterly basis.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to INK's basic financial statements. INK engages in business-type activities and is reported as a component unit of the State of Kansas in the state's Annual Comprehensive Financial Report. As such, INK prepares these basic financial statements, notes to the financial statements and required supplementary information which includes this management's discussion and analysis.

The Balance Sheets provide information on the nature and amount of INK's economic resources. The Statements of Revenues, Expenses, and Changes in Net Position present information showing how INK's net position changed during the most recent fiscal year. The Statements of Cash Flows reconcile the change in cash with the activities of INK for the twelve months ended December 31, 2021.

Financial Highlights

- The assets of INK exceeded its liabilities at the close of the most recent fiscal year by \$7,973,108, an amount which may be used to meet INK's ongoing obligations to participating state and local entities, program development, security, and disaster recovery contingencies.
- INK's total net position increased by \$1,214,221 and \$867,063 for the years ended December 31, 2021 and 2020, respectively. The 2021 increase in net position was primarily attributable to an ongoing excess of operating revenue over expenses, with reduced grant expenditures from the previous year, set against lower interest income and increased fees for legal services. The 2020 increase in net position was attributable to an excess of operating revenue over expenses, with somewhat reduced interest revenue from the previous year and an increase in grant expenditures.

Financial Analysis

Net position may serve over time as a useful indicator of an organization's financial position. In the case of INK, assets exceeded liabilities by \$7,973,108 at the close of the most recent fiscal year.

Information Network of Kansas, Inc.'s Net Position

	2021	2020	2019
Current assets	\$ 12,590,311	\$ 12,913,688	\$ 11,353,453
Capital assets, less accumulated depreciation	797	1,396	1,995
Total assets	\$ 12,591,108	\$ 12,915,084	\$ 11,355,448
Current liabilities	\$ 4,618,000	\$ 6,156,197	\$ 5,463,624
Total liabilities	4,618,000	6,156,197	5,463,624
Net position:			
Net investment in capital assets	797	1,396	1,995
Unrestricted	7,972,311	6,757,491	5,889,829
Total net position	7,973,108	6,758,887	5,891,824
Total liabilities and net position	\$ 12,591,108	\$ 12,915,084	\$ 11,355,448

The balance of unrestricted net position (\$7,972,311 and \$6,757,491 as of December 31, 2021 and 2020, respectively), may be used to meet INK's ongoing grant obligations, disaster recovery contingencies, and to support existing and new program initiatives. At December 31, 2021 and 2020, INK is able to report positive balances in both categories of net position.

The 2021 increase in net position was primarily attributable to an ongoing excess of operating revenue over expenses, with reduced grant expenditures from the previous year, set against lower interest income and increased fees for legal services. The 2020 increase in net position was attributable to an excess of operating revenue over expenses, with somewhat reduced interest revenue from the previous year and an increase in grant expenditures. The 2019 increase in net position was attributable to significantly less expenditures for grants, along with an increase in both operating and interest revenue.

Information Network of Kansas, Inc.'s Changes in Net Position

	Year Ended December 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019
Operating revenues	\$ 1,498,616	\$ 1,249,850	\$ 1,335,563
Operating expenses	294,959	450,659	315,566
Operating income	1,203,657	799,191	1,019,997
Nonoperating revenues:			
Interest income	10,564	67,872	120,126
Change in net position	1,214,221	867,063	1,140,123
Net position, beginning of year	6,758,887	5,891,824	4,751,701
Net position, end of year	\$ 7,973,108	\$ 6,758,887	\$ 5,891,824

Conclusion

The Information Network of Kansas, Inc. Board of Directors, in cooperation with state and local government and the private sector, is focused on creating a system of business and government as paperless as possible, making it ever easier for Kansans to use state of the art technology to pay their taxes, obtain permits and licenses, and readily access government data to improve their lives. In alignment with its statutory purpose, INK also seeks to expand public access to government information of all types, including the historical record.

Over time, Kansas has consistently ranked very high among states in the nation in the successful transition to e-government. In 2019, the state home page was recognized by the Center for Digital Government with a fifth-place finish in "Overall State Government Experience", a category recognizing the top 10 state websites in the nation. During 2020 and 2021, INK invested grant funding in pandemic-related communication initiatives by the state, including COVID-19 themed websites for sharing information with the public and streaming video conferences. During 2021, INK deployed "Telegov" an online appointment setting solution for the Department of Revenue and processed 16,500 marriage applications online in partnership with the Judicial Branch.

Financial and other information is readily available on our website at <http://ink.kansas.gov/> or in our office. INK board meetings are open to the public and visitors are welcome. Public notice of the meetings is provided in accordance with state law.

Requests for Information

This financial report is designed to provide a general overview of INK's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the INK Board Chairman.

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INFORMATION NETWORK OF KANSAS, INC.
(A COMPONENT UNIT OF THE STATE OF KANSAS)
BALANCE SHEETS
December 31, 2021 and 2020

	2021	2020
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 8,826,377	\$ 8,886,623
Accounts receivable	3,763,332	3,988,007
Prepaid expenses	602	39,058
Total current assets	12,590,311	12,913,688
Capital assets:		
Equipment	5,181	5,181
Less accumulated depreciation	(4,384)	(3,785)
	797	1,396
Total assets	\$ 12,591,108	\$ 12,915,084
<u>LIABILITIES AND NET POSITION</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 4,618,000	\$ 6,156,197
Net position:		
Net investment in capital assets	797	1,396
Unrestricted	7,972,311	6,757,491
	7,973,108	6,758,887
Total liabilities and net position	\$ 12,591,108	\$ 12,915,084

See accompanying notes to the basic financial statements.

INFORMATION NETWORK OF KANSAS, INC.
(A COMPONENT UNIT OF THE STATE OF KANSAS)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2021 and 2020

	2021	2020
Operating revenues:		
Agency fee receipts	\$ 509,016,862	\$ 464,389,799
Less payments to data providing entities	(498,994,072)	(456,012,982)
Less network manager share of network revenue	(8,524,174)	(7,126,967)
Total operating revenues	1,498,616	1,249,850
Operating expenses:		
Program development	57,260	245,700
Reimbursed salaries and benefits	143,165	143,601
Telephone	17	354
Travel	60	1,622
Contract office services and space	10,322	10,522
Professional and consulting contracts	83,436	47,783
Hospitality and meetings	-	257
Office supplies and other	100	221
Depreciation	599	599
Total operating expenses	294,959	450,659
Operating income	1,203,657	799,191
Nonoperating revenue:		
Interest income	10,564	67,872
Change in net position	1,214,221	867,063
Net position, beginning of year	6,758,887	5,891,824
Net position, end of year	\$ 7,973,108	\$ 6,758,887

See accompanying notes to the basic financial statements.

INFORMATION NETWORK OF KANSAS, INC.
(A COMPONENT UNIT OF THE STATE OF KANSAS)
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Receipts of agency fees from customers	\$ 509,241,536	\$ 464,205,646
Payments to data providing entities for share of agency fees	(498,868,527)	(455,713,043)
Payments to network manager for share of network revenue	(9,757,869)	(6,612,213)
Payments for supplies, grants and other services	(542,785)	(433,885)
Payments to contracted employees for reimbursed salaries and benefits	(143,165)	(143,601)
Net cash flows from operating activities	(70,810)	1,302,904
Cash flows from investing activities:		
Interest received	10,564	81,695
Net change in cash and cash equivalents	(60,246)	1,384,599
Cash and cash equivalents, beginning of year	8,886,623	7,502,024
Cash and cash equivalents, end of year	\$ 8,826,377	\$ 8,886,623
Reconciliation of operating income to net cash flows from operating activities:		
Operating income	\$ 1,203,657	\$ 799,191
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation	599	599
Changes in operating assets and liabilities:		
Accounts receivable	224,675	(184,154)
Prepaid expenses	38,456	(5,305)
Accounts payable and accrued expenses	(1,538,197)	692,573
Net cash flows from operating activities	\$ (70,810)	\$ 1,302,904

See accompanying notes to the basic financial statements.

INFORMATION NETWORK OF KANSAS, INC.
(A COMPONENT UNIT OF THE STATE OF KANSAS)
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

1 - Organization and Summary of Significant Accounting Policies

Reporting Entity

The Information Network of Kansas, Inc. (INK) was created in 1990 by the State of Kansas legislature to provide electronic access for members of the public to public information of agencies by means of a centralized electronic information system, to develop and expand the system and to provide oversight of the network manager. INK is governed by a nine-member Board of Directors with membership on the board established by statute. INK is a component unit of the State of Kansas.

Basis of Presentation

INK is accounted for as an enterprise fund. Enterprise funds are used to account for activities that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods and services to the general public on a continuing basis are to be financed through user charges or where the periodic determination of net income is considered appropriate.

Basis of Accounting

The financial statements of INK have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

“Basis of accounting” refers to when revenues, expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. “Measurement focus” refers to what is being measured. The financial statements are prepared on the accrual basis of accounting and on an economic resources measurement focus in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when the liability is incurred. With the economic resources measurement focus, all assets and all liabilities are included on the balance sheet. The statement of revenues, expenses and changes in net position presents increases (revenues) and decreases (expenses) in net position. The statement of cash flows provides information about how INK meets the cash flow needs of its activities.

INK distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services in connection with INK’s principal ongoing operations. Operating revenues include revenue from providing network services, net of transaction fees due to data-providing entities when services are provided. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash Equivalents

For purposes of the statement of cash flows, INK considers all highly liquid investments with an original maturity of less than three months to be cash equivalents.

INFORMATION NETWORK OF KANSAS, INC.
(A COMPONENT UNIT OF THE STATE OF KANSAS)
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Accounts Receivable

Accounts receivable represent amounts to be collected from network users under the terms of a contract with INK's network manager. INK considers the amounts to be fully collectible and, accordingly, no allowance for doubtful accounts is necessary.

Capital Assets

Capital assets, which include equipment, are recorded at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Depreciation is computed on the straight-line basis using estimated useful lives of three to seven years.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates.

2 - Cash

Kansas statutes provide for all moneys received by INK to be deposited in the State Treasury or maintained in interest bearing accounts in Kansas banks or Kansas savings and loan associations until expended or otherwise disposed of pursuant to statute.

Custodial credit risk is the risk that, in the event of a bank failure, INK's deposits may not be returned. Kansas statutes require that deposits be collateralized and that collateral pledged must have a fair market value equal to 100% of the deposits and investments, less insured amounts, and must be assigned for the benefit of INK. At year-end, the carrying amounts of INK's deposits were \$ 8,826,377, and the bank balances totaled \$ 8,827,853. Of the bank balances, \$ 750,000 were secured by federal deposit insurance, and \$ 8,077,853 were collateralized by pledged securities.

3 - Network Manager Agreement

INK has contracted with Kansas Information Consortium, LLC (KIC) to serve as INK's network manager to develop, operate, maintain and expand the network for electronic access to public information. The terms of the contract, which continues through December 31, 2022 and has two optional two-year extensions, provide that KIC, on behalf of INK, will negotiate and obtain contracts with state agencies for electronic access and subscribers for services. The terms of the contract provide for KIC to receive 85 percent of the gross network revenue net of the data-providing entities' share of network revenues.

In addition, the terms of the contract provide that, upon termination of the contract, all network and manager records, work papers and operations documentation shall become the property of INK and that

INFORMATION NETWORK OF KANSAS, INC.
(A COMPONENT UNIT OF THE STATE OF KANSAS)
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

application software, documentation and source codes and related updates and revisions are considered during the life of the contract, and perpetually thereafter, to be licensed for use to the State of Kansas through INK or any successor to be used in operation and expansion of the network or any successor network.

4 - Related Parties

The Kansas Department of Administration's Office of Information Technology Services processes INK's payroll. INK provides reimbursements to the Office of Information Technology Services for salaries and benefits, including contributions to the Kansas Public Employees Retirement System, on a quarterly basis. Salaries and benefits reimbursed were \$ 143,165 and \$ 143,601 for the years ended December 31, 2021 and 2020, respectively.

Also, certain members of INK's Board of Directors, as provided for by statute, are employed as management with agencies for which INK has service contracts. These contracts are administered by KIC.

5 - Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and, on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which INK operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to, amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the pandemic.

It is unknown how long the adverse conditions associated with the pandemic will last and what the complete financial effect will be to INK. Accordingly, while management cannot quantify the financial and other impacts to INK as of the independent auditors' report date, management believes that a material impact on the INK's financial position and results of future operations is reasonably possible.

6 - Risk Management

INK is exposed to various risks of loss related to torts; that is, damage to and destruction of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters and employee health, dental and accident benefits. Commercial insurance coverage, which, except for employee health benefits, is purchased by KIC under which INK is listed as an additional insured. INK has not had any reductions in insurance coverage or amounts of settlements exceeding insurance coverage in any of the three preceding years.

INFORMATION NETWORK OF KANSAS, INC.
(A COMPONENT UNIT OF THE STATE OF KANSAS)
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

7 - Subsequent Events

Subsequent events have been evaluated for INK through the date of the independent auditors' report, which is the date the financial statements were available to be issued.