

## **ADMINISTRATIVE ACTIONS ASSOCIATED WITH CREATING A NEW EXTENSION DISTRICT**

July 19, 2023

There are a significant number of administrative actions to take to enable county extension councils to either form a new extension district or join an existing district. The following list of administrative actions will help boards and extension staff know what actions need to occur to close out the business of the extension councils and organize the new extension district.

### **Future Updates to this Document**

Please call Chris Onstad, KSRE Associate Director, (785-532-3519) if you have any questions or have suggestions for changes to the administrative actions document.

### **Extension Board Responsibilities**

Each board should select representatives to work together to make decisions necessary in preparing for the July 1 organization of the extension district. Each board should appoint four members to serve on an interim district board. The interim board can report their actions back to the extension council boards. The interim board can appoint an agent to assume the role of interim director for the district. An alternative might be to ask the county directors from each county to work together as a team to take responsibility for communications and necessary administrative actions. Once the district is operational, one of the first actions of the district governing body will be to select the district extension director. The Regional Director will work with the extension operations office to issue an internal district director position announcement to all agents entering the district or to initiate an external search if a position is being added to the district.

### **Director's Responsibilities**

The interim district director and/or the county extension director for each extension council entering a district, is responsible to close out the "original" extension council's business by June 30. The interim director is responsible to see that the "start-up" steps of the "new" district are completed. It is perfectly acceptable to delegate some of these tasks to coworkers (i.e., fellow agents, office professionals, or program assistants), but please see that assigned timelines are strictly adhered to in carrying out responsibilities.

The appointed board should name the interim director several months prior to July 1 so that business on behalf of the board can be conducted prior to July 1.

Collect minutes of County Commissioners meetings pertaining to district (Operational agreement, Office agreement, appointment of board members), which will be available from county clerk once they are approved and signed.

Get a copy and affidavit from the newspaper that publishes any information that must be published such as the resolution.

### **District Staffing Plan**

The interim board and the staff should begin working on the development of a staffing plan for the district. A goal should be to gain efficiency and effectiveness by specialization of programming and other staff responsibilities. Consider programming needs for the district and the expertise of existing staff in developing a staffing plan. The plan can be changed, but an initial plan should be in place when the district begins operation. A tool for determining programming assignments, KSU 8-43 Excel spreadsheet, is available on the Employee Resources Website on the Forms page. An example of a program-staffing plan from the River Valley Extension District is available on the spreadsheet. This can be accomplished by staff or committee with board members.

## **Item A. EQUIPMENT INVENTORIES**

**Explanation:** To establish the monetary value of the contributions that each county extension council or existing district is bringing into the new district, a dollar value will need to be determined for all assets worth over \$500 owned by each extension unit. Enter the final inventory value into the Transfer of Property and Funds Form KSU 8-34, found on the Employee Resources Website on the Forms page. This can and should be done before July 1.

Each county should have an updated inventory list for insurance purposes, please make sure it is current prior to merging the list for a district insurance policy.

### **1. Merge all Local Unit Inventories**

#### **a. FNP Program Equipment**

Equipment officially purchased and owned by the FNP program will **not** be included in the Inventory used for district valuation purposes.

1. This is due to the clause in the FNP agreement with extension councils and/or districts that the FNP program can retake possession of that same equipment (if valued over \$500) if a county or district ceases to be involved in the FNP program.

### **2. Proposed Methods of Valuing Assets for the District Inventory**

**a. Minimum Value per Item:** Only equipment with a value greater than \$500 is included.

**b. Vehicles:** Use the current Blue Book Values. Get copies of all titles so that you have correct information when you look up the blue book value. You will also need to know the mileage.

**c. Copy Machines:** Assume a 5-year life with the following values per year...

**Year #1:** 100% of purchase price

**Year #2:** 80% of purchase price

**Year #3:** 60% of purchase price

**Year #4:** 40% of purchase price

**Year #5:** 20% of purchase price

**Years #6 and beyond:** Assume 0% value (fully depreciated)

\*\*Proposed exceptions to this proposed valuation schedule should be brought to the interim district board for consideration.

**d. Computers, Printers, Cameras, and Scanners:** Assume a 4-year life with the following values per year...

**Year #1:** 100% of purchase price

**Year #2:** 75% of purchase price

**Year #3:** 50% of purchase price

**Year #4:** 40% of purchase price

**Years #5 and beyond:** Assume 0% value (fully depreciated)

**\*\*Proposed exceptions to this proposed valuation schedule should be brought to the interim district board for consideration.**

### **3. Separate Inventories for Valuing District Contributions and Insurance Coverage Purposes**

a. The equipment values used for determining the value of equipment brought into a district by an extension unit will likely be different from the equipment values used for the purpose of replacement insurance coverage.

b. Use replacement or new equipment values for equipment replacement insurance inventories.

1. Use new purchase or replacement values for vehicles, copy machines, computers, printers, cameras, scanners, etc. on the inventory value that the new district will turn into its insurance company.

2. The physical office location (i.e., the town or district office that the particular piece of equipment is located in) of a particular piece of equipment also needs to be included in the property insurance equipment inventory list for replacement insurance coverage.

**\*\*You will need a separate inventory for all items that will be signed on the last June meeting for just county inventory. A total inventory from all counties will be merged for insurance coverage and then you will have only the districting valuing inventory when you form the district.**

### **Item B. FEDERAL EIN NUMBER**

**Explanation:** A new Federal Identification Number (FEIN) needs to be assigned to a newly formed district. Extension councils joining an established district may just begin using the existing district's Federal EIN number.

**1. Closing Out Original EIN Numbers:** Extension councils joining new or established districts will need to "close out" their original EIN numbers.

a. Mark "FINAL" on Form 941 (Part 3, Line 15) when sending in the June report filed in July.

b. Send letter by Fax 631-447-8960, Attn: 540A, with cancellation of county EINs. After July 1.

### **2. Process for Establishing New EIN Number for the District**

**a. When to do this:** This process needs to be completed during June to have the new district EIN number "in place" by July 1.

**b. Contact the Internal Revenue Service at 800-829-4933 for instructions and explanation.**

**c. Steps to take via the Web:**

1. Log on to IRS website: [www.irs.gov](http://www.irs.gov)

2. Search - new EIN (Form SS-4)

3. Complete Form SS-4 online, write down EIN before printing application.

4. The Responsible Party is the designated District Extension Director. (The SSN of the director is required to establish the true identity of the responsible party.)

4. Complete as new business

5. Submit online

### **Item C. KANSAS SALES TAX NUMBER & WITHHOLDING**

**Explanation:** A new Kansas Sales Tax identification number needs to be assigned to a newly formed district. In the case of an extension council joining an established district, use the district's Kansas sales tax number.

On the bottom of the form, it says to fax, but you can email [kdor\\_tac@ks.gov](mailto:kdor_tac@ks.gov)

1. **Process for Establishing New Kansas Sales Tax Number for the District**

a. **When to do this:** This process needs to be completed during June to have the new district Kansas Sales Tax number "in place" by July 1.

b. You can go online to access the forms you will need. Go to [www.ksrevenue.gov](http://www.ksrevenue.gov). Click on *Forms*, under Popular links towards the bottom of page, then search for the following documents. You will need **CR-16, Business Tax Application for Business; CR-17, Registration Schedule for Additional Business Locations; CR-108, Notice of Business Closure**. You will check the Retailer's Sales Tax and the Withholding Tax boxes. Fill out all applicable information. The interim district director will put their information along with their SS number on part 12 of this form. They can sign and date the form. In addition, list each office of the extension district on an additional business location form (**CR-17**). The complete street address (physical location address) is required. You need one of these forms for each additional county.

c. Contact the Kansas Department of Revenue at 785-368-8222 for instructions and explanation. Explain you are a governmental municipality and you are merging extension councils into a new extension district. You may be able to complete the form on the web:

d. Steps to take via the Web:

1. [www.ksrevenue.gov](http://www.ksrevenue.gov)

2. **Complete CR-16** (Kansas Business Tax Application)

3. **Under Part 1**, mark Started a new business

4. **Under Part 2**, mark the Retailers Sales Tax and the Withholding Tax boxes.

5. **Under Part 3**

Under #1, mark other and add Educational

Under #7, mark cash basis

Under #8, Describe your primary business activity – Educational

Enter business classifications (if known): NAICS Code 611710 (Educational Support Service)

Under #11, There is not room to add all the counties if you type it in, so print it off and write them in on the line and directly below it.

Under #13, List the sales tax number for each county. Should start with 004-Your EIN-F01

**Under Part 4**, Fill this out

**Under Part 5**

Under #1, Mark the date of Ownership at 7/1/year??

Under #2 Mark yes and how many total counties

Under #3,4,5,8 & 9 mark all as no

Under #6, Find out how much all counties paid in total for last year to deter

**Under Part 6**

Under #1, the date is 7/1/year??

Under #2, Add them together from all counties to determine the estimate

Under #3, Leave blank

Under #4, Is no

Do not do Parts 7 – 11.

**Under Part 12**, the interim district extension director will put their information along with their SS number on this form

**\*\*Make sure your EIN number is on the top left of pages 8, 9 & 10**

6. Fax into the number on the bottom of page 10. 785-291-3614

7. **Complete CR-17**(Kansas Registration Schedule for Additional Business Locations)

- Put the EIN number up at top right where it asks for it
- Mark Retailers' sales tax
- Under #4, Describe the primary business activity at this location: Educational
- Enter business classification (if known): NAICS Code 611710 (Educational Support Service)
- All questions should be answered as NO
- Fax into the number on the bottom of page 11. 785-291-3614
- 8. Complete Form EF-101 (Authorization Form for Electronic Filing)

## **2. Process for Closing-out Original Kansas Sales Tax Numbers for Extension**

- a. Indicate "Closing Down" on the final quarterly report for April-June. This will be done in July.
- c. Fill out for each county extension council, a **Notice of Tax Account Closure** Form CR-108, available from the Kansas Department of Revenue, Customer Relations, Topeka, KS 66625-9000, 785-291-3614 or [www.ksrevenue.gov](http://www.ksrevenue.gov) and click on *Forms* under Popular Links.

On the CR-108 form, it will ask for several account numbers. Your Kansas Tax Account number and your Retailers' account number are the same and should start with a 004-followed by your EIN number then-F01(that is a zero). Your withholding tax number should be a number that begins with 036-your EIN number then-F01. You will not have a dash in the EIN part of the number.

Question 10 is yes, 11 is no, 12 is whatever you have, 13 is yes and 14 is yes.

**\*\*You close your Kansas tax accounts for June 30, year??. The account numbers will be "open" after closing the account for 30 days to allow you to file your quarterly report (KW-5) in July. That information will be available to you at the end of the year to file your KW-3 for tax (W-2) purposes. (per Mari at the KS Dept of Revenue 785-296-8160)**

## **Item D. SALES TAX EXEMPTION**

**Explanation:** A new Kansas Sales Tax Exemption needs to be assigned to a newly formed district. In the case of an extension council joining an established district, use the district's existing Kansas Sales Tax number.

### **1. Closing Original Kansas Sales Tax Exemptions for Extension Councils**

Discontinuance of Sales Tax Exemption for extension councils joining a new or established districts will occur naturally when use of the original sales tax exemption numbers are discontinued. (see process below)

### **2. Process for Establishing New Kansas Sales Exemptions Number for the District. After July 1**

- a. When to do this: This process needs to be completed during June to have the new district sales tax exemption number "in place" by July 1.
- b. Go online to [www.kdor.ks.gov](http://www.kdor.ks.gov) and sign in. each office should have an email and password already established that you use to file your withholding electronically each month. Log in. Go to Exempt Cert in the yellow ribbon and click on it. Then click on apply for a new exemption certificate. Then click on the Tax Exempt Entity Certificate. Put your official name in and main address. Say yes to a political subdivision, structure of organization is Educational, activities is adult education and youth development, answer the question why with "We are subsidiary of K-State Research and Extension" and we are affiliated with another exempt entity? Answer no.
- c. Submit
- d. Contact the Kansas Department of Revenue at 785-368-8222 for instructions and explanation.

- e. Fax letter and copies of sales tax exemption from extension councils, noting the ending date.  
(fax #785-291-3614)

### **Item E. UNEMPLOYMENT TAX**

**Explanation:** Unemployment Compensation Tax: Extension councils and districts are required to pay State Unemployment Insurance for extension council employees (agents are covered through the university payroll). Extension councils and districts are exempt from paying federal unemployment compensation tax.

1. **What to do:** Go to Kansas Department of Labor website to determine the appropriate local unemployment tax office to call for specific instructions: <https://www.dol.ks.gov/employers>
  - a. Ask for Department of Human Resources Division of Employment form K-CNS-0103 (Employer Forms tab) with the new district name and EIN. Converse with them about the extension council accounts that will be closed. They will cancel the extension council accounts and transfer all taxes that have been paid to the new district account.
  - b. Phone number is 785-296-5027.

### **Item F. KPERS (Kansas Public Employees Retirement System)**

**Explanation:** KPERS participation is available to the new district, or to an existing extension district. Extension districts can only affiliate on January 1. A new KPERS account will need to be established for the affiliating district. If the district affiliates with KPERS, then **all** office staff working over half time in the district are **mandated** to enroll in the program. To affiliate, a resolution must be passed by the District Governing Body with a 2/3 majority vote. The resolution is available from KPERS.

- If there are extension councils in the new district that have not participated in KPERS, employees can be enrolled beginning January 1 and will be able to participate from that date forward but will not receive any credit for any service time prior to the employee becoming employed by the district.
- An alternative available to the affiliating district is to complete an actuarial study to determine the cost to bring in the previous service time of employees. The cost of the study is \$800 plus \$25 for each eligible employee. The district would be required to pay the cost of prior time service in order for the employees to be eligible to claim that service time.
- If an extension council has been participating in KPERS but the district is not going to affiliate, the employees of that extension council will continue to participate in KPERS through the end of the year (the first six months as a district employee). Beginning July 1, the employee will have withholding from their wages for their KPERS contribution and the district will pay the employer's contribution, using the extension council's KPERS employer number through the end of the year. The employee will continue to accrue service time during this time.
- In the situation where all extension councils forming the new district have been participating employers with KPERS and the district will affiliate on January 1, the district will continue to report KPERS contributions under the employee's and their extension council's employer numbers through the end of the year (December 31).
- Any KPERS participating employee that chooses to retire upon reaching retirement eligibility, will come under the working after retirement rules. There can be no prearrangement to return to work with a KPERS participating employer prior to retirement and during the 60 days after retirement.

## **1. Process for Establishing New KPERS Accounts for the District**

- a. When to do this: Complete final arrangements for KPERS affiliation by July 1.
- c. Contact the Kansas Public Employees Retirement System office at 1-877-205-4916 (Diana Berry) for instructions and explanation.
- c. The new district will have the responsibility to bring all eligible employees into the KPERS program.
- d. The district needs to consider resolutions to: 1) affiliate with the retirement system; 2) offer optional group life insurance [this benefit allows employees to purchase additional optional group life coverage through payroll deduction. There is no additional cost for the employer]; 3) offer first day coverage for group life insurance, disability coverage and accidental death coverage to new KPERS eligible employees.
- e. Steps to Take via the Web
  - 1. [www.kpers.org](http://www.kpers.org)
  - 2. Form ER105 - KPERS Authorization for Electronic Fund Transfer - when changing banks, contact 785 296-6166.
  - 3. The KPERS office will send a packet to complete by July 1.
    - a. Include a copy of the minutes from the extension council to form merger.
    - b. Include copy of the operational agreement with all signatures including the Attorney General.

## **2. District Decides Not to Affiliate with KPERS**

- d. Give strong consideration to continuing with KPERS affiliation if some of the employees are currently participating in KPERS. However, if the district decides not to affiliate, a retirement plan alternative is to create a simplified 401k retirement plan for office employees. Other districts have worked with Keating and Associates (785-537-0366), the provider of the extension council and district cafeteria plans.
- e. In the case of a district not affiliating with KPERS, employees that have been participating in KPERS prior to the extension council becoming a part of a district, can get information on their options for their KPERS accounts by calling the KPERS Info Line at 1-888-275-5737.

## **Item G. INSURANCE CONVERSION ISSUES**

**Explanation:** Convert the various types of insurance policies currently held by extension councils to district-Wide coverage. Review district insurance policies to include coverage for offices joining an established District. Do not cancel any insurance until vehicles are retagged and all others are in place.

- 1. **The Need for New Insurance Policies due to a Change in Policy Holder:** Existing county extension council insurance policies will no longer be in existence after July 1 when the new district forms. In the event of a claim against the insurance company involved, that company is not likely to agree to pay a claim if the policyholder has changed to the new extension district.
  - a. **Discontinuing Existing Policies:** In general, if an existing extension council insurance policy is to be discontinued in favor of establishing a new insurance policy for a district, efforts should be made to secure refunds from those companies for the portion of the insurance premium not used. Any refunds issued after July 1 payable to the extension council, should be deposited in the extension district account.

## **Item G1. LIABILITY INSURANCE**

**Explanation:** Public Official Liability and General Liability insurance has been offered by companies such as EMC, KCAMP, Farm Bureau, and others. It is important to have this type of insurance on public boards such as newly established extension districts.

1. **What to do:** Contact Public Official Liability and General Liability insurance providers for the existing councils and ask whether they would be able to provide this type of insurance coverage for the new extension district.
  - a. If existing companies **can** provide this type of insurance for the new district, then they need to be asked to provide a **competitive bid** for the new district to consider.
  - b. The interim district board will then decide which company to purchase Public Official Liability and General Liability Insurance from, based on competitive rates, coverage details, and other factors.
  - c. County extension council insurance policies that will no longer be in effect need to be discontinued, and (if possible) refunds obtained for unused portions of the premiums that have already been paid.

## **Item G2. Property Insurance**

**Explanation:** It is important to have property insurance for newly established extension districts as of July 1 for coverage in the event of fire, tornado, flood, or other types of events that could destroy office facilities and equipment.

1. **What to do: Contact Insurance Companies:** Contact property insurance providers for the existing councils and ask whether they would be able to provide this type of insurance coverage for the new extension district. If existing companies can provide this type of insurance for the new district, ask them to provide a competitive bid for the new district board to consider.
2. The interim district board will then decide which company to purchase property insurance from, based on competitive rates, coverage details, and other factors.
3. Utilize the replacement value inventory created for insurance coverage purposes in determining appropriate levels of coverage.
4. **Cancel Original Policies & Seek Refunds:** Cancel (after new coverage is in place) original county extension council insurance policies and seek refunds for unused portions of the premiums already paid, if possible.

## **Item G3. WORKERS COMPENSATION INSURANCE**

**Explanation:** Newly established extension districts are required to have Workers Compensation Insurance in the event of an injury to a staff member caused by factors associated with work-related tasks. (Agents have Workers Compensation Insurance through Kansas State University)

1. **What to do: Contact Insurance Companies:** Contact Workers Compensation Insurance providers for the existing councils and ask whether they would be able to provide this type of insurance coverage for the new extension district. If existing companies can provide this type of insurance for the new district, they need to be asked to provide a competitive bid for the interim district board to consider.
2. **Provide Needed Information:** Information needed by the insurance company for Workers Comp:
  1. The new name of the extension district
  2. The district's new Federal EIN number



3. The amount of payroll for the new district

- 3. Cancel Original Policies & Seek Refunds:** Discontinue original county extension council Workers Comp Insurance policies once new district coverage is established effective July 1. Seek refunds for unused portions of the premiums already paid, if possible.

#### **Item G4. ACCIDENT INSURANCE**

**Explanation:** Accident insurance provides for coverage for 4-H Youth on camping activities and other types of events. American Income Life and other companies have provided this insurance.

- 1. What to do:** Contact these companies, explain the situation, and present the appropriate district name, identification, and other information when to purchase accident insurance.

a. The insurance company will need the following information:

1. Location of district
2. Number of 4-H members
3. District name
4. Effective date

e. Discontinue original county extension council insurance policies that will now be unused and obtain refunds for unused portions of the premiums already paid, if possible.

#### **Item G5. VEHICLE INSURANCE AND VEHICLE TAGS**

Vehicle tags, take titles to late June meeting to have board chair sign so they are ready to convert over to district. Will need to do this with county Treasurer, but not till after bank account is open. Also, must have in the June Minutes that the board will be signing over the vehicles to the new district.

**Explanation:** For vehicle insurance, existing local providers can still be used in each county entering the district. However, the district will need to be named as the official policy holder instead of the former county extension council. Name the district as titleholder to those same vehicles instead of the former county extension council. New vehicle tags will also need to be issued from the State Division of Vehicles through the county where the vehicle will primarily be located.

- 1. What to Do:** Each extension council entering into the new district needs to do the following with regard to auto insurance:
- a. Change the name of the policyholder to the extension district with your auto insurance provider (in place of the original county extension council).
  - b. Change the name of the owner of the vehicle on the title to the extension district (in the County Treasurer's office).
  - c. Obtain new vehicle tags. The State Division of Vehicles has instructed districts to change names on their official documentation. New vehicle tags should be obtained by the district. Districts are still eligible for county government tags and should obtain and pay for these new tags in the primary county where the vehicle will be located and used.

#### **Item G6. STATE OF KANSAS HEALTH INSURANCE - For Office Professionals and Program Assistants**

**Explanation:** This item relates to extension units that are providing insurance through the State Health Insurance Plan (i.e. Blue Cross - Blue Shield). If health insurance is provided for office staff through other insurance

companies (with the extension council actually buying the insurance) then the insurance company would have to be contacted and the name changed on the policy to reflect that the new extension district now owns the policy.

1. **Extension Office Staff Health Insurance can stay the same until January 1.** However, call before July 1, to fully investigate options for participation. For new group information, non-state group enrollment, Contact: 785-296-6205
  - a. When the new district governing body is in place, send a “Notice of Intent to Participate in the State of Kansas Health Care Program for Non-State Groups” to the address indicated when calling the above number.

#### **Item H. CAFETERIA PLANS through Keating and Associates**

**Explanation:** This item relates to extension units that are providing cafeteria plans for pre-tax reimbursement of dependent and unreimbursed health care expenses.

1. **When to do this:** Existing cafeteria plans for county extension council employees terminate on June 30.
  - a. Contact for information on cafeteria plans: Rick Nash or Chris Nash, 785-537-0366 for the process for transitioning to a district.

#### **Item I. SUPPLEMENTAL RETIREMENT ACCOUNTS (SRAs)**

**Explanation:** The government refers to this type of optional Supplemental Retirement Account (SRA) as “Simplified Employee Plans”. A small number of county extension councils offer these to their employees as a supplemental benefit.

1. **Companies Involved in SRAs:** A large number of companies provide these services, including Aetna, AFLAC, ING, and others.
  - a. **Timing for New Districts:** Where now in effect for office professionals, program assistants, or other staff, payments toward SRAs on the part of new districts will begin on July 1.
  - b. **What to Do:** Employees are responsible for their own SRA plan. They need to personally contact their SRA provider and handle details relative to the district transition.
2. **Check on “Cross Compliance”:** The district needs to contact the company involved or examine the original SRA contract. The district needs to determine whether the presence of one employee in the district involved in an SRA requires that all other office staff in the district at least have the opportunity to participate.

#### **Item J. New District Bank Account**

**Explanation:** Establish a new bank account for a newly formed district. An established district may continue using the existing district’s bank account when new extension councils are joining.

1. **Process for establishing a new bank account for the district**
  - a. **When and what to do:**
    1. **Order new checks** as soon as possible (as soon as necessary to have them ready for July business).
    2. **Complete new signature cards** and file at the bank soon after district governing board officers are elected. Call the bank ahead of time to determine what documents will be required from each of the elected officers to be placed on the signature cards and what the newest instructions are per

bank to get documents into place. Copies of the district officer's driver's license may be required, depending on the requirements of the bank or banks involved.

## **2. Closing extension council bank accounts**

Not for at least 3 months and 30,000 in each checking account, you can pre-close all savings accounts prior to the July 1 date. This would actually be easier with the County Board still in place.

- a. Transfer all Extension council savings accounts, certificates of deposits or other time deposits to the extension council regular checking account. Checking account funds should be then be remitted to the district for deposit in the extension district bank account. The extension council should continue to prepare financial statements until the net balance is zero. (This may be a month or two after the district is formed.)

## **3. Determine if all funds will be placed in one central bank in the district?**

- a. If so, then the implication would be that some banks that currently handle funds for county extension councils would no longer have an extension account. The interim board needs to decide if that is an issue.
- b. Issues to Consider: Kansas municipalities have FDIC coverage of \$250,000 on demand deposits (checking accounts) and \$250,000 on time deposits (certificates of deposits, savings accounts, money market accounts, etc.) This is aggregate by bank, not a per account basis. Typically, the financial institution pledging securities to the municipality secures deposits in excess of FDIC limits. Need to have a copy from the bank stating such pledge.
- c. It will be necessary to have one bank designated to handle the checking account for the new district. However, reserve funds in the form of certificates of deposit, savings and/or money market accounts may be deposited in accounts established in other banks in the district.

## **Item K. VENDORS AND CHARGE ACCOUNTS**

**Explanation:** Contact existing equipment vendors and businesses with charge accounts will need to be contacted and informed of the change from the original county extension council to the new district for business purposes.

### **1. Process for Updating Business Vendors**

- a. Send business vendors official letters stating the name change and addresses where bills, notices, etc. for the new district.
- b. If using QuickBooks for financial accounting, the addresses of new vendors will need to be entered into the program.
- c. The district financial operations office will need a list of vendors from each county office, changes of address for these businesses, etc.

### **2. Process for Updating Charge Accounts**

- a. Send businesses with charge accounts official letters stating the name change and addresses for the new district.
- b. Enclose a copy of the **new** Sales Tax Exempt letter.
- c. For credit cards, once the board decides what to do with credit cards, make sure it is in the minutes

where the credit card will be obtained (bank), who will have them by name and what the limit for the account and per person will be. This will be easier if this is in the minutes before going and starting the process.

#### **Item L. PRICE CHARTS OR PRICE LISTS**

**Explanation:** Develop a price chart for “For Sale” items or other items subject to sales tax collection through each of the new district offices. This is done to account for varying sales taxes in different communities and counties in the new district.

##### **1. Process for Developing Price Charts/Lists**

- a. Determine sales taxes applicable to each county in the new district.
- b. Determine uniform base charges for different “For Sale” items across the new district.
- c. Develop a price chart/list for each office in the new district, using both the uniform prices on “For Sale” items and varying sales taxes by locations.
- d. Agree upon a system for summarizing local records of sale at each district office, and then forwarding them to the district business office.

#### **Item M. MAGAZINE SUBSCRIPTION RENEWAL**

**Explanation:** The process of renewing magazine subscriptions with new district information when they come due is straightforward enough. However, a bigger issue to consider may be which magazine subscriptions SHOULD be discontinued or sent to different district office locations based on the updated responsibilities of agents in the new district.

##### **1. Process for Renewing/Updating Magazine Subscriptions**

- a. It will be easiest to let current magazine subscriptions continue to be sent to the same addresses until they expire. Then the subscriptions can be updated with new district name and address information.
- b. However, publishers could be contacted at any time to make address and name changes related to the district.

#### **Item N. SALARY RECORDS for Office Professionals/Program Managers/Program Assistants**

**Explanation:** The handling of both W-2 (taxable income), W-3, and W-4 (withholding) as well as K-4 and KW-3 records for the calendar year will be affected for office professionals, program managers, program assistants, and other temporary office help for extension councils entering into new extension districts.

##### **1. These forms must be handled in a manner consistent with Kansas Department of Revenue, Internal Revenue Service (IRS) and Social Security Administration (SSA) regulations.**

- a. For Office Professionals, Program Assistants, and other Temporary Office Help: Since local staff of extension councils entering districts will be employed by county extension councils for January through June, and then by the new district during July through December, financial records and communications with the IRS and SSA must accurately reflect this change in employers.
- c. K-State Research and Extension formally handles the W-2 and W-4 forms for extension agents. Entry into a new district will not affect how these forms are handled through the district business office.

## **2. Process for Properly Handling W-2, W-3, and W-4 Records and K-4 and KW-3 Records**

- a. **W-4 and K-4 forms:** Complete W-4 and K-4 forms for all employees of the new district and keep on file in the district business office along with the I-9 Employment Eligibility Verification (I-9 forms can be obtained from the Extension Council personnel files of council employees).
  1. **W-4 forms** only need to be sent to the IRS in cases specifically identified in W-4 instructions. If rules require W-4 forms to be sent to the IRS, it should be done on or shortly after July 1 (i.e., before staff are paid by the new district).
- b. **W-2 and W-3 forms and KW-3 form:** Extension councils (predecessor) will have reported wages and submitted social security and tax withholdings and contributions for the first six months of the year. The district (successor) will assume this responsibility beginning in July.
  1. The Extension Council (predecessor) will file its second quarter Form 941 (April-June), in July (after Extension Council is officially closed). They should indicate in Part 3, #15 this was the **FINAL** quarter of Council paid wages.
  2. To the extent the wages paid and the taxes withheld by the predecessor are to be included on the Forms W-2 (Copy A) filed by the successor for the acquired employees, there will be a difference between the amounts shown on the successor's Forms W-2 (Copy A) and its Forms 941.
  3. When the successor files its Form 941, it should also file Schedule D (Form 941) to explain the discrepancies between Forms W-2 (Copy A) and Forms 941 in the totals of social security wages, Medicare wages and tips, social security tips, federal income tax withheld, and advance earned income credit (EIC) payments.
  4. Schedule D (Form 941) should include the date of the acquisition and the name, trade name, address, telephone number, and employer identification number of the predecessor. Schedule D (Form 941) should be filed after Forms W-2 (Copy A) are prepared. Thus, Schedule D (Form 941) should be filed with the first quarter return for the year after the calendar year of the acquisition, or with the final Form 941 if the successor is filing a final return and it is due before the first quarter return for the year after the calendar year of the acquisition.
  5. If Form 941 is filed electronically, an employer will be able to file Schedule D (Form 941) separately on paper, until the electronic specifications for Schedule D (Form 941) become available.
  6. File the entire Copy A page of Form W-2 along with the entire page of Form W-3 at the following address: Social Security Administration, Data Operations Center, Wilkes-Barre, Pennsylvania, 18769-0001.
  7. Contact Bob Casey in the KSRE Business office with questions related to tax filing requirements.

## **3. For Extension Councils and/or Districts Using QuickBooks**

- a. The payroll setup will be the same for QuickBooks in both the extension councils and the district. New employees from merging extension councils will need to be entered into QuickBooks records.

## **Item 0. POSTAL PERMITS and OTHER POSTAL REQUIREMENTS**

**Explanation:** A copy of the letter from the State Attorney General approving formation of the district must be

provided to local postmasters to update or change the business names on postal permits or other postal services provided to the extension district.

- The Attorney General's letter of District Approval will serve as official record to post masters of the merger of extension councils into a new extension district.

#### **Item P. BUDGET**

**Explanation:** When a district is adding a county, the district may need to amend the district budget to accommodate the increased expenditures of the added county from July 1 when they join the district through the end of the year. If there is insufficient spending authority in the total expense budget to cover the anticipated additional expenses, the district will need to go through the budget amendment process. The Official amended budget form can be downloaded from the State of Kansas Municipal Budget website. The amended budget summary form will need to be published in the official county newspapers of the district and a public hearing held. This can be done simultaneously with the budget process when creating a budget for the next budget year. The public hearings can be held, one after the other at the same meeting. Official motions following the public hearing will be required to adopt the amended budget.

- For the next fiscal year budget process, the first column contains the prior year actual receipts and expenses of the existing district prior to being joined by the new county.
- The middle column contains the budget/projected receipts and expenses from the current budget year. A general entry on the receipt and expense side of the form can be used for the total anticipated receipts and expenses for July-December.
- The next year budget column will contain budgeted receipts and expenses for the expanded district.

#### **Item Q. PAYMENT OF BIWEEKLY PAY AGENT SALARY ADVANCEMENT OBLIGATION**

**Explanation:** Prior to implementation of biweekly pay, extension councils were paying agents for all time worked up through the pay date. Biweekly pay resulted in a two-week delay of the salary payment. K-State Research and Extension advanced the two-week county portion of the salary obligation at that time so agents would not lose two weeks of pay in the conversion. This obligation is owed by the extension council, and for agents that were employed at that time, must be paid back to K-State Research and Extension at the time an agent resigns or retires.

Because the extension council ceases to exist upon formation of the district, this obligation must be paid before a council enters a district. Bob Casey of the Extension Business Office or the area extension director have a record of the amount due for all extension councils. The payment should be made from the extension council account prior to closing the account.

#### **Item R. TRANSFER OF PROPERTY AND FUNDS**

A requirement for forming the district is to establish the assets and liabilities that each local unit brings into the district. The property inventory as of June 30, bank deposits, accounts receivable and liabilities are all entered on Transfer of Property and Funds form KSU 8-34, found on the KSRE Employee Resources Website on the Forms page. This will be part of the permanent record for the district and will be utilized in the event of a county withdrawing from the district at some future date.

#### **Item S. OFFICE SPACE AGREEMENT**

An effort should be made to continue office space arrangements for each county entering the district. Often office space is an in-kind contribution from county commissioners and the commissioners are often willing to continue with this in-kind contribution of office space. The KSU 9-6, found on the KSRE Employee Resources Website on the

Forms page, is an office space agreement template that can be used to document the office space arrangements. A provision that provides adequate notice of agreement termination is necessary in the event that office space rental is an expense that needs to be built into the budget for the following calendar year. Generally, notice given before July 1, one year prior to the end of the agreement is ideal.

#### **Item T. EXTENSION DISTRICT POLICY DOCUMENT**

County extension offices generally have developed an office policy document that includes information that may include employee benefits including employee vacation and sick leave policies, retirement lump sum payout options and limitations, overtime and compensatory time arrangements, office operations and protocols, official holiday recognition, and other items deemed important to the operation of the extension office. The office policies of each county entering the district should be brought together and consolidated into an extension district policy document.

#### **Item U. EMPLOYEE SALARIES AND BENEFITS**

Salaries for agents, and salaries and benefits for office professionals and program assistants, may vary considerably among counties coming together to form an extension district. The interim board can analyze the employee compensation issues and make recommendations that can be acted upon once the district is formed to provide a consistent and equal benefit program for district staff, and that can bring equity to the salary structure for agents as well as district employees. Predicted salaries for the agents are available from the Regional Directors or from the Extension Field Operations office.

#### **Item V. DISTRICT WEBSITE, LISTSERVS**

Effective July 1, the District Web site should be ready to be up and running and the county websites shut down. Contact Julie Fosberg in the Division of Communications to begin the process of setting up the new Web site. Susie Wilkinson in Extension Administration should be contacted to make sure the county listservs are converted to a district listserv. Work with the Extension Field Operations to update the Extension County and District Map to indicate the new district and to remove the county identities. Regional Directors should add new District Governing Body members to the PEARS board member database and District Director should send an updated KSU 9-4 to the Extension Administration Office.

#### **Item W. BOOKKEEPING ISSUES (The QuickBooks Option)**

**Explanation:** New or existing districts have the option of using the existing KSRE extension financial accounting system or can use QuickBooks to produce their financial records. The only requirement is that they produce reports reasonably similar to “required reports”.

**Question: Do new Districts HAVE to adopt QuickBooks? Answer:** It is an option for new districts, but it is perfectly acceptable to continue to use the K-State Research and Extension system supported by Bob Casey. If a district were to adopt the QuickBooks program, they would still need to provide the required reports and supporting documentation to Bob Casey, K-State Research and Extension auditor. Also, they would have to find technical support for the QuickBooks program from sources other than Bob Casey.

#### **Final Thoughts:**

This compilation of administrative actions associated with creating a new extension district is a work in progress. If you have any questions, or if any of you find omissions, errors, or changes in rules and regulations, or changes in contact numbers or agency representatives, please contact Chris Onstad, KSRE Associate Director, Extension Field Operations office, 785-532-3519. Congratulations for completing the requirements of creating your new extension district!