SEWARD COUNTY, KANSAS

AUDIT REPORT

For the year ended December 31, 2013

SEWARD COUNTY, KANSAS

FINANCIAL STATEMENTS
For the year ended December 31, 2013

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SEWARD COUNTY, KANSAS

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Seward County Commissioners
Liberal, Kansas 67901

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Seward County, Kansas, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents. We did not audit the financial statements of Southwest Medical Center (a discretely presented component unit), which represents 100% of the assets and revenues of the component unit columns. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Southwest Medical Center (a discretely presented component unit), is based on the report of the other auditors.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with the *Kansas Municipal Audit and Accounting Guide*, 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 from 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 assessment 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 basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Seward County, Kansas, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 59 through 62 be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Seward County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2014, on our consideration of Seward County, Kansas' 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 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 Seward County, Kansas' internal control over financial reporting and compliance.

Hay•Rice & Associates, Chartered

August 22, 2014

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

To the Seward County Commissioners
Liberal, Kansas 67901

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Seward County, Kansas, as of and for the year ended December 31, 2013, which collectively comprise Seward County's basic financial statements and have issued our report thereon dated August 22, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Kansas Municipal Audit Guide*; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Seward County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Seward County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Seward County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 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. We consider the deficiencies described below to be material weaknesses.

2013-1. Financial Statement Preparation – Seward County has neither the qualified personnel, nor the time needed to prepare financial statements in accordance with generally accepted accounting principles, and have relied upon the audit firm to assist in the preparation.

2013-2. Purchase Order System – No purchase order system is in place. This contributes to the failure to maintain encumbrance records per KSA 10-1117.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Seward County's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2013-1 and 2013-2.

We noted certain other matters that we reported to management of Seward County, Kansas in a separate letter dated August 22, 2014.

Seward County's Response to Findings

Seward County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Seward County's response was not subjected to the auditing procedures applied in the audit of the financial statements.

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.

Hay•Rice & Associates, Chartered

August 22, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Seward County, we offer readers of Seward County's financial statements this overview and analysis of the financial activities of Seward County for the fiscal year ended December 31, 2013. Please read this report in conjunction with the County's financial statements, which begin on page 1.

FINANCIAL HIGHLIGHTS

- The assets of Seward County exceeded its liabilities at the close of 2013 by $28,141,279 (net position). Of this amount, $10,077,836 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to Seward County's basic financial statements. These financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of Seward County's finances, in a manner similar to private-sector business, and can be found on pages 1 – 5 of this report.

The statement of net position presents information on all of Seward County's assets (what the citizens own) and liabilities (what the citizens owe), with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Seward County is improving or deteriorating. Other nonfinancial factors should also be considered, such as changes in the County's property tax base, and the condition of the County's capital assets (highways, roads, bridges and buildings) to assess the overall health of the County.

The statement of activities presents information showing how Seward County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of Seward County that are supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of Seward County include general government, public safety, natural resources, educational, health and sanitation, social services, culture and recreation, transportation and debt service. The business-type activity of Seward County is the landfill.

The government-wide financial statements include not only Seward County itself but also a legally separate hospital, combined under one column heading of "Component Units." This entity has a Board appointed by the Seward County Commission. The Commission must also approve bond issuances by the entity. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. Complete financial statements may be obtained at the Administrative Office for the Southwest Medical Center at 315 W. 15th in Liberal, Kansas.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Seward County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Seward County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Our analysis of the County's major funds begins on page 6. Kansas State law requires certain funds at a minimum. The Seward County Commission has established other funds to help it control and manage money for particular purposes (Ex. Planning & Zoning Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (Ex. County Sales Tax Funds). The County's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps to determine the amount of financial resources that are currently available in the near future to finance the County's programs.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This presentation should allow the readers to better understand the long-term impact of the government's current financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between the governmental funds and the governmental activities reporting.

Seward County maintains 14 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, which is considered its major fund. Data from the other 13 governmental funds are combined into a single, aggregate presentation.

Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report on pages 64 – 67.

The basic governmental fund financial statements can be found on pages 6 – 12 of this report.

Proprietary Funds

Proprietary funds provide the same type of information as business-type activities in the government-wide financial statements, only in more detail. Seward County uses an enterprise fund to account for charging customers for the full cost of the services it provides at the landfill, which is considered to be a major fund.

The basic proprietary fund financial statements can be found on pages 13 – 15 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because those funds resources are not available to support Seward County's programs. The accounting for the fiduciary funds is similar to that used for the proprietary funds.

The basic fiduciary fund financial statements can be found on page 16 – 17 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and governmental fund financial statements. The notes to the financial statements can be found on pages 21 – 57 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Seward County's compliance with its annually appropriated budget for the general fund. This required supplementary information can be found on pages 58 – 62 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. The combined and the individual fund statements and schedules can be found on pages 63 – 76 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As previously referenced in this analysis, the net position may serve as an indicator of the government's financial position. In Seward County, assets exceeded liabilities by $28,141,279 at the close of 2013.

The largest portion of Seward County's net position, or 54%, reflects its investment in capital assets such as land, highways, roads, bridges, buildings, machinery, and equipment, less any debt used to acquire these assets that is still outstanding. Seward County uses these capital assets to provide

services to citizens. It is important to note that these assets are not available for future spending. Although Seward County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets alone cannot be used to liquidate these liabilities.

	Seward County's Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Current and other assets	$19,703,927	$21,168,224	$ 4,585,359	$ 4,955,846	$24,289,286	$26,124,070
Capital assets	15,500,643	15,180,604	3,152,967	3,315,265	18,653,610	18,495,869
Total Assets	$35,204,570	$36,348,828	$ 7,738,326	$ 8,271,111	$42,942,896	$44,619,939
Long-term liabilities	$ 579,898	$ 931,044	$ 2,963,104	$ 2,526,100	$ 3,543,002	$ 3,457,144
Other liabilities	11,700,178	12,367,834	528,170	653,682	12,228,348	13,021,516
Total Liabilities	$12,280,076	$13,298,878	$ 3,491,274	$ 3,179,782	$15,771,350	$16,478,660
Net Position:						
Net investment in capital assets	$15,500,643	$14,959,460	$ 13,620	$ 585,926	$15,514,263	$15,545,386
Restricted	460,640	259,465	1,993,166	2,258,592	2,453,806	2,518,057
Unrestricted	6,963,211	7,831,025	2,240,266	2,246,811	9,203,477	10,077,836
Total Net Position	$22,924,494	$23,049,950	$ 4,247,052	$ 5,091,329	$27,171,546	$28,141,279

Governmental activities increased Seward County's net position by $125,456 and business-type activities increased Seward County's net position by $844,277 as a result of the key elements, as follows:

	Seward County's Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Revenues						
Program Revenues:						
Charges for services	$ 1,309,896	$ 1,797,083	$ 5,984,048	$ 6,065,930	$ 7,293,944	$ 7,863,013
Operating grants and contributions	756,563	535,009	-	-	756,563	535,009
General Revenues:						
Property taxes	10,065,029	10,044,267	-	-	10,065,029	10,044,267
Other taxes	4,451,447	4,758,939	-	-	4,451,447	4,758,939
Other	371,912	328,287	7,234	2,187	379,146	330,474
Total Revenues	$16,954,847	$17,463,585	$ 5,991,282	$ 6,068,117	$22,946,129	$23,531,702
Expenses						
General Government	$ 7,116,928	$ 7,721,102	$ -	$ -	$ 7,116,928	$ 7,721,102
Public Safety	3,420,627	3,757,020	-	-	3,420,627	3,757,020
Transportation	2,734,186	2,475,984	-	-	2,734,186	2,475,984
Natural Resources	326,785	377,493	-	-	326,785	377,493
Health and Sanitation	1,970,991	1,962,632	-	-	1,970,991	1,962,632
Social Services	337,006	376,185	-	-	337,006	376,185
Culture and Recreation	710,260	667,713	-	-	710,260	667,713
Landfill	-	-	5,595,871	5,197,235	5,595,871	5,197,235
Interest expense	-	-	45,919	26,605	45,919	26,605
Total Expenses	$16,616,783	$17,338,129	$ 5,641,790	$ 5,223,840	$22,258,573	$22,561,969

Increase (Decrease) in Net Position	$ 338,064	$ 125,456	$ 349,492	$ 844,277	$ 687,556	$ 969,733
Net Position, January 1	22,586,430	22,924,494	3,897,560	4,247,052	26,483,990	27,171,546
Net Position, December 31	$22,924,494	$23,049,950	$ 4,247,052	$ 5,091,329	$27,171,546	$28,141,279

The Statement of Activities format is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance, as expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. This format highlights the relative financial burden of each of the functions on the County's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, Seward County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of Seward County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Seward County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources for spending at the end of the fiscal year.

As of the end of the current fiscal year, Seward County's governmental funds reported combined ending fund balances of $8,852,274, or increase of $934,644 from the preceding year.

Approximately $8,592,809 is available for spending at the government's discretion.

Proprietary Funds

Seward County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the proprietary fund is $2,246,811.

GENERAL FUND BUDGETARY HIGHLIGHTS

During 2013, the County Commission did not amend the general fund budget. The general fund revenue was over the total budgeted amount by $722,748 and the general fund expenditures were under the budgeted amount by $1,208,547, which gives an overall favorable amount of $1,931,295.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year ended December 31, 2013, the County had $94,780,116 invested in capital assets including equipment, buildings, roads and landfill. (See Table below.)

	Seward County's Capital Assets					
	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Land	$ 591,693	$ 591,693	$ 91,844	$ 91,844	$ 683,537	$ 683,537
Buildings	15,231,562	15,283,461	631,742	631,742	15,863,304	15,915,203
Improvements	-	-	3,648,792	3,921,758	3,648,792	3,921,758
Equipment	15,544,013	16,759,879	7,646,682	8,257,045	23,190,695	25,016,924
Highways and roads	48,826,808	49,242,694	-	-	48,826,808	49,242,694
Subtotal - Undepreciated cost	$ 80,194,076	$ 81,877,727	$12,019,060	$12,902,389	$ 92,213,136	$ 94,780,116
Accumulated depreciation and amortization	(64,693,433)	(66,697,123)	(8,866,093)	(9,587,124)	(73,559,526)	(76,284,247)
Total	$ 15,500,643	$ 15,180,604	$ 3,152,967	$ 3,315,265	$ 18,653,610	$ 18,495,869

Additional information on Seward County's capital assets can be found in Note 2C on pages 43 – 47 of this report.

Long-Term Debt

At the end of 2013, Seward County had contracts and capital lease payable of $3,452,652. Additional long-term debt information can be found in Note 2C on pages 49 – 54 of this report.

	Seward County's Long-Term Debt					
	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Contracts	-	$ -	$2,279,169	$1,777,000	$2,279,169	$1,777,000
Capital leases & temporary notes	-	221,144	585,004	952,339	585,004	1,173,483
Total	-	$221,144	$2,864,173	$2,729,339	$2,864,173	$2,950,483

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Seward County raised its 2014 budgeted mill levy for 2013 property taxes by 2.866 mills and increased property taxes by $302,217.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional information, contact the County Administrator's office, Seward County, 515 North Washington, Liberal, Kansas 67901.

SEWARD COUNTY, KANSAS

BASIC FINANCIAL STATEMENTS

December 31, 2013

SEWARD COUNTY, KANSAS

STATEMENT OF NET POSITION
December 31, 2013

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Current Assets				
Cash, including time deposits	$ 9,623,883	$ 1,903,669	$ 11,527,552	$ 1,472,850
Taxes receivable	11,284,876	-	11,284,876	-
Accounts receivable (net)	196,959	793,585	990,544	8,342,828
Inventory	22,005	-	22,005	1,356,947
Assets limited as to use	-	-	-	449,057
Estimated third-party settlements	-	-	-	90,951
Other receivables	-	-	-	264,886
Prepaid expenses	28,523	-	28,523	1,550,136
Total current assets	$ 21,156,246	$ 2,697,254	$ 23,853,500	$ 13,527,655
Noncurrent Assets				
Restricted Assets:				
Cash, including time deposits	$ 11,978	$ 2,258,592	$ 2,270,570	$ -
Internally designated	-	-	-	12,378,147
Under indenture agreements-held by trustee	-	-	-	3,008,911
By contributors and grantors for capital acquisitions	-	-	-	364,543
Less – Amounts required to meet current obligations	-	-	-	(449,057)
Total restricted assets	$ 11,978	$ 2,258,592	$ 2,270,570	$ 15,302,544
Capital Assets:				
Land	$ 591,693	$ 91,844	$ 683,537	$ 104,046
Buildings	15,283,461	631,742	15,915,203	41,104,356
Improvements other than buildings	-	3,921,758	3,921,758	2,951,334
Machinery, equipment, furniture and fixtures	16,759,879	8,257,045	25,016,924	35,171,616
Highways	49,242,694	-	49,242,694	-
Construction in progress	-	-	-	1,404,351
Less – Accumulated depreciation	(66,697,123)	(6,596,038)	(73,293,161)	(52,064,016)
Accumulated amortization	-	(2,991,086)	(2,991,086)	-
Total noncurrent assets	$ 15,180,604	$ 3,315,265	$ 18,495,869	$ 28,671,687
Total Assets	$ 36,348,828	$ 8,271,111	$ 44,619,939	$ 57,501,886

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

SEWARD COUNTY, KANSAS

Statement 1

STATEMENT OF NET POSITION
December 31, 2013

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
LIABILITIES				
Current Liabilities				
Accounts payable	$ 747,137	$ 351,338	$ 1,098,475	$ 1,639,554
Accrued interest payable	-	-	-	301,129
Other accrued liabilities	-	-	-	205,771
Accrued wages and benefits	283,937	-	283,937	829,531
Accrued compensated absences	-	-	-	671,050
Estimated third-party payor settlements	-	-	-	27,454
Capital lease obligations – Current	51,884	302,344	354,228	-
Current maturities of long-term debt	-	-	-	355,000
Total current liabilities	$ 1,082,958	$ 653,682	$ 1,736,640	$ 4,029,489
Noncurrent Liabilities				
Contracts payable	$ -	$1,777,000	$ 1,777,000	$ -
Accrued compensated absences	761,784	99,105	860,889	-
Long-term debt	-	-	-	16,325,159
Lease payable	169,260	649,995	819,255	-
Total noncurrent liabilities	$ 931,044	$2,526,100	$ 3,457,144	$16,325,159
Total Liabilities	$ 2,014,002	$3,179,782	$ 5,193,784	$20,354,648
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	$11,284,876	-	$11,284,876	-
NET POSITION				
Net investment in capital assets	$14,959,460	$ 585,926	$15,545,386	$12,547,830
Restricted for:				
Debt service	-	-	-	1,624,019
Expendable for Capital acquisitions	-	-	-	1,193,133
Other purposes	259,465	2,258,592	2,518,057	-
Unrestricted	7,831,025	2,246,811	10,077,836	21,782,256
Total Net Position	$23,049,950	$5,091,329	$28,141,279	$37,147,238

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

SEWARD COUNTY, KANSAS

Statement 2

STATEMENT OF ACTIVITIES
For the year ended December 31, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services & Other	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total	Component Units
Primary Government:								
Governmental Activities:								
General Government:								
County Administration	$ 87,788	$ -	-	-	$ (87,788)	-	$ (87,788)	-
County Commissioners	101,940	-	-	-	(101,940)	-	(101,940)	-
County Counselor	104,041	-	-	-	(104,041)	-	(104,041)	-
County Clerk	155,702	1,362	-	-	(154,340)	-	(154,340)	-
County Treasurer	210,592	313,856	-	-	103,264	-	103,264	-
County Attorney	755,088	19,455	-	-	(735,633)	-	(735,633)	-
Planning Board	89,493	10,137	-	-	(79,356)	-	(79,356)	-
Register of Deeds	132,276	237,270	-	-	104,994	-	104,994	-
Clerk of District Court	460,211	-	-	-	(460,211)	-	(460,211)	-
Courthouse General	1,661,939	-	-	-	(1,661,939)	-	(1,661,939)	-
Election	79,656	-	-	-	(79,656)	-	(79,656)	-
Employees' Benefits	2,924,421	-	-	-	(2,924,421)	-	(2,924,421)	-
County Appraiser	290,208	1,575	-	-	(288,633)	-	(288,633)	-
Human Resources	117,386	-	-	-	(117,386)	-	(117,386)	-
Information Technology	354,657	-	-	-	(354,657)	-	(354,657)	-
GIS	66,194	-	-	-	(66,194)	-	(66,194)	-
Reserve for claims	118,455	-	-	-	(118,455)	-	(118,455)	-
Total general government	$ 7,710,047	$ 583,655	-	-	$ (7,126,392)	-	$ (7,126,392)	-
Public Safety:								
Sheriff	$ 1,162,896	$ 191,606	$ -	-	$ (971,290)	-	$ (971,290)	-
Civil Defense	133,981	-	103,532	-	(30,449)	-	(30,449)	-
Emergency Preparedness	158,409	-	-	-	(158,409)	-	(158,409)	-
Jail	1,395,825	63,830	-	-	(1,331,995)	-	(1,331,995)	-
Communications	295,369	113,212	-	-	(182,157)	-	(182,157)	-
Rural Fire	393,889	-	-	-	(393,889)	-	(393,889)	-
Juvenile Detention	216,651	-	-	-	(216,651)	-	(216,651)	-
Total public safety	$ 3,757,020	$ 368,648	$103,532	-	$ (3,284,840)	-	$ (3,284,840)	-
Natural Resources:								
Soil Conservation	$ 41,704	$ -	-	-	$ (41,704)	-	$ (41,704)	-
County Extension	150,000	-	-	-	(150,000)	-	(150,000)	-
Noxious Weed	185,789	65,076	-	-	(120,713)	-	(120,713)	-
Total natural resources	$ 377,493	$ 65,076	-	-	$ (312,417)	-	$ (312,417)	-

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

SEWARD COUNTY, KANSAS

Statement 2
(Continued)

STATEMENT OF ACTIVITIES
For the year ended December 31, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services & Other	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total	Component Units
Primary Government (Continued):								
Governmental Activities (Continued):								
Health and Sanitation:								
Coroner	$ 38,647	$ -	$ -	-	$ (38,647)	-	$ (38,647)	-
Emergency Medical Service	655,858	382,707	-	-	(273,151)	-	(273,151)	-
Health	957,014	262,228	431,477	-	(263,309)	-	(263,309)	-
Mental Health	95,843	-	-	-	(95,843)	-	(95,843)	-
Developmental Disabled	156,950	-	-	-	(156,950)	-	(156,950)	-
Cemetery	58,320	19,500	-	-	(38,820)	-	(38,820)	-
Total health and sanitation	$ 1,962,632	$ 664,435	$431,477	-	$ (866,720)	-	$ (866,720)	-
Social Services:								
Adolescent support	$ 294,800	-	-	-	$ (294,800)	-	$ (294,800)	-
SKADAF	65,000	-	-	-	(65,000)	-	(65,000)	-
Veterans	16,385	-	-	-	(16,385)	-	(16,385)	-
Total social services	$ 376,185	-	-	-	$ (376,185)	-	$ (376,185)	-
Culture and Recreation:								
Historical Museum	$ 80,000	$ -	-	-	$ (80,000)	-	$ (80,000)	-
Council on Aging	278,035	-	-	-	(278,035)	-	(278,035)	-
Economic Development	5,060	-	-	-	(5,060)	-	(5,060)	
Fair	54,785	-	-	-	(54,785)	-	(54,785)	-
Special Parks and Recreation/Alcohol	10,200	-	-	-	(10,200)	-	(10,200)	-
Activity Center	239,633	115,269	-	-	(124,364)	-	(124,364)	-
Total culture and recreation	$ 667,713	$ 115,269	-	-	$ (552,444)	-	$ (552,444)	-
Transportation:								
Maintenance	$ 2,475,984	-	-	-	$ (2,475,984)	-	$ (2,475,984)	-
Other:								
Employee Committee	$ 11,055	-	-	-	$ (11,055)	-	$ (11,055)	-
Total governmental activities	$17,338,129	$1,797,083	$535,009	-	$ (15,006,037)	$ -	$ (15,006,037)	-
Business-Type Activities:								
Landfill	5,223,840	6,065,930	-	-	-	842,090	842,090	-
Total Primary Government	$22,561,969	$7,863,013	$535,009	-	$ (15,006,037)	$ 842,090	$ (14,163,947)	-

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

SEWARD COUNTY, KANSAS

Statement 2
(Continued)

STATEMENT OF ACTIVITIES
For the year ended December 31, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services & Other	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total	Component Units
Component Units:								
Southwest Medical Center	$39,960,835	$42,253,882	$ 55,291	$100,000	-	-	-	$ 2,448,338
General Revenues:								
Ad valorem property tax					$ 9,799,924	$ -	$ 9,799,924	-
Delinquent tax					139,733	-	139,733	-
Interest on delinquent taxes					85,601	-	85,601	-
Payment in lieu of taxes					19,009	-	19,009	
Motor vehicle tax					669,267	-	669,267	-
Private club liquor tax					21,558	-	21,558	-
Local sales tax					2,140,806	-	2,140,806	-
Gasoline tax					585,332	-	585,332	-
Health initiatives					1,245,593	-	1,245,593	-
Severance tax					96,383	-	96,383	-
Diversion fees					37,495	-	37,495	-
County equalization					24,620	-	24,620	
Royalty and lease income					524	-	524	-
Miscellaneous					164,932	-	164,932	-
Interest					100,716	2,187	102,903	-
Total general revenues and transfers					$15,131,493	$ 2,187	$15,133,680	-
Change in Net Position					$ 125,456	$ 844,277	$ 969,733	$ 2,448,338
Net Position, Beginning					22,924,494	4,247,052	27,171,546	34,698,900
Net Position, Ending					$23,049,950	$5,091,329	$28,141,279	$37,147,238

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

SEWARD COUNTY, KANSAS

Statement 3

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2013

ASSETS	General Fund	Other Governmental Funds	Total Governmental Funds
Cash, including time deposits	$ 3,591,432	$6,032,451	$ 9,623,883
Cash, restricted	11,978	-	11,978
Accounts receivable	127,242	69,717	196,959
Taxes receivable	8,779,152	2,505,724	11,284,876
Prepaid expenses	28,523	-	28,523
Inventory	22,005	-	22,005
Total Assets	$12,560,332	$8,607,892	$21,168,224
LIABILITIES			
Accounts payable	$ 327,891	$ 419,246	$ 747,137
Accrued wages and benefits	221,361	62,576	283,937
Total liabilities	$ 549,252	$ 481,822	$ 1,031,074
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	$ 8,779,152	$ 2,505,724	$11,284,876
FUND BALANCES			
Nonspendable:			
Inventory	$ 22,005	$ -	$ 22,005
Accounts receivable	127,242	69,717	196,959
Prepaid expenses	28,523	-	28,523
Restricted for restricted cash	11,978	-	11,978
Assigned	112,000	5,550,629	5,662,629
Unassigned	2,930,180	-	2,930,180
Total fund balances	$ 3,231,928	$5,620,346	$ 8,852,274
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$12,560,332	$8,607,892	$21,168,224

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

Statement 3
(Continued)

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES

December 31, 2013

Total Governmental Fund Balances	$ 8,852,274
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Net of accumulated depreciation of $66,697,123	15,180,604
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued compensated absences	(761,784)
Capital leases payable	(221,144)
Net Position of Governmental Activities	$23,049,950

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

SEWARD COUNTY, KANSAS

Statement 4

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

For the year ended December 31, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	$ 8,669,282	$2,790,159	$11,459,441
Intergovernmental	3,065,877	1,020,224	4,086,101
Licenses, permits and fees	775,261	-	775,261
Charges for services	531,113	262,228	793,341
Interest income	100,716	-	100,716
Royalty and lease income	115,793	-	115,793
Miscellaneous	36,619	96,313	132,932
Total revenues	$13,294,661	$4,168,924	$17,463,585
Expenditures			
Current Operations:			
General Government:			
County Administration	$ 85,700	$ -	$ 85,700
County Commissioners	98,654	-	98,654
County Counselor	104,041	-	104,041
County Clerk	131,415	-	131,415
County Treasurer	195,153	-	195,153
County Attorney	677,368	57,327	734,695
Planning Board	90,965	-	90,965
Register of Deeds	106,783	-	106,783
Clerk of District Court	441,433	-	441,433
Employees' Benefits	2,952,944	-	2,952,944
Courthouse General	1,066,574	262,743	1,329,317
Information Technology	342,480	-	342,480
GIS	61,400	-	61,400
Election	79,656	-	79,656
County Appraiser	270,171	-	270,171
Human Resources	106,782	-	106,782
Reserve for claims	118,455	-	118,455
Total general government	$ 6,929,974	$ 320,070	$ 7,250,044
Public Safety:			
Sheriff	$ 1,164,820	$ -	$ 1,164,820
Civil Defense	119,287	-	119,287

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

SEWARD COUNTY, KANSAS

Statement 4
(Continued)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
For the year ended December 31, 2013

Expenditures (Continued)	General Fund	Other Governmental Funds	Total Governmental Funds
Current Operations (Continued):			
Public Safety (Continued):			
Emergency Preparedness	103,143	54,084	157,227
Jail	1,233,358	-	1,233,358
Communications	269,240	-	269,240
Juvenile Detention	216,651	-	216,651
Rural Fire	-	556,503	556,503
Total public safety	$ 3,106,499	$ 610,587	$ 3,717,086
Natural Resources:			
Soil Conservation	$ 41,704	-	$ 41,704
County Extension	150,000	-	150,000
Noxious Weed	164,015	-	164,015
Total natural resources	$ 355,719	-	$ 355,719
Health and Sanitation:			
Coroner	$ 38,647	$ -	$ 38,647
Mental Health	75,000	-	75,000
Developmental Disabled	156,950	-	156,950
Cemetery	56,013	-	56,013
Emergency Medical Service	645,448	241,993	887,441
Health	-	1,004,729	1,004,729
Total health and sanitation	$ 972,058	$1,246,722	$ 2,218,780
Social Services:			
Adolescent support	$ 294,800	-	$ 294,800
SKADAF	65,000	-	65,000
Veterans	16,385	-	16,385
Total social services	$ 376,185	-	$ 376,185
Culture and Recreation:			
Historical Museum	$ 80,000	$ -	$ 80,000
Activity Center	245,462	-	245,462
Fair	50,000	-	50,000
Economic Development	5,060	-	5,060
Council on Aging	278,035	-	278,035
Special Parks and Recreation	-	10,200	10,200
Total culture and recreation	$ 658,557	$ 10,200	$ 668,757

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

SEWARD COUNTY, KANSAS

Statement 4
(Continued)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
For the year ended December 31, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
Expenditures (Continued)			
Current Operations (Continued):			
Transportation:			
Maintenance	-	$1,931,315	$ 1,931,315
Other:			
Employee Committee	$ 11,055	-	$ 11,055
Total expenditures	$12,410,047	$4,118,894	$16,528,941
Transfers:			
Equipment	$ 422,058	$ (422,058)	-
Net Change in Fund Balances	$ 462,556	$ 472,088	$ 934,644
Fund Balances, Beginning	2,829,744	5,174,005	8,003,749
Other Changes:			
Increase or (decrease) in reserves	(60,372)	(25,747)	(86,119)
Fund Balances, Ending	$ 3,231,928	$5,620,346	$ 8,852,274

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

SEWARD COUNTY, KANSAS

Statement 4
(Continued)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the year ended December 31, 2013

Net Change in Fund Balances – Total Governmental Funds	$ 934,644
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:	
Capital asset purchases capitalized	1,820,078
Capital asset disposals, net of accumulated depreciation	(1,738)
Depreciation expense	(2,138,378)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund:	
Current taxes receivable	11,284,876
Prior taxes receivable	(11,013,541)
Current accounts receivable	196,959
Prior accounts receivable	(297,684)
Current restricted assets	11,978
Prior restricted assets	(12,213)
Current deferred revenue	(11,284,876)
Prior deferred revenue	11,013,541
Issuance of debt is revenue in the governmental funds, but the receipt increases long-term liabilities in the statement of net position:	
Capital lease proceeds	(285,792)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:	
Capital lease principal payments	64,648

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

SEWARD COUNTY, KANSAS

Statement 4
(Continued)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the year ended December 31, 2013

Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore, are not reported as expenditures in governmental funds:	
Current compensated absences	(761,784)
Prior compensated absences	579,898
Some assets, such as prepaid insurance and inventory, are reported as reserves to fund balances in the governmental funds statement so these amounts are included in the expense accounts on the governmental funds:	
Current inventory	22,005
Prior inventory	(35,688)
Current prepaid assets	28,523
Change in Net Position on Governmental Activities	$ 125,456

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

SEWARD COUNTY, KANSAS

Statement 5

STATEMENTS OF NET POSITION – PROPRIETARY FUNDS

December 31, 2013 and 2012

	Business-Type Activities Landfill	
ASSETS	Current	Prior
Current Assets		
Cash, including time deposits	$ 1,903,669	$ 1,905,573
Accounts receivable (net)	793,585	686,620
Total current assets	$ 2,697,254	$ 2,592,193
Noncurrent Assets		
Restricted Assets:		
Cash, including time deposits	$ 2,258,592	$ 1,993,166
Capital Assets:		
Land	91,844	91,844
Buildings	631,742	631,742
Landfill pit	3,921,758	3,648,792
Machinery, equipment, furniture and fixtures	8,257,045	7,646,682
Less – Accumulated depreciation	(6,596,038)	(5,905,792)
Accumulated amortization	(2,991,086)	(2,960,301)
Total noncurrent assets	$ 5,573,857	$ 5,146,133
Total Assets	$ 8,271,111	$ 7,738,326
LIABILITIES		
Current Liabilities		
Payable from Current Assets:		
Accounts payable	$ 351,338	$ 252,996
Current portion of long-term debt	302,344	275,174
Total current liabilities	$ 653,682	$ 528,170
Noncurrent Liabilities		
Lease payable	$ 952,339	$ 860,178
Accrued compensated absences	99,105	98,931
Landfill closure payable	1,777,000	2,279,169
Less – Current portion	(302,344)	(275,174)
Total noncurrent liabilities	$ 2,526,100	$ 2,963,104
Total Liabilities	$ 3,179,782	$ 3,491,274
NET POSITION		
Net investment in capital assets	$ 585,926	$ 13,620
Restricted for:		
Other purposes	2,258,592	1,993,166
Unrestricted	2,246,811	2,240,266
Total Net Position	$ 5,091,329	$ 4,247,052

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

SEWARD COUNTY, KANSAS

Statement 6

STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION – PROPRIETARY FUNDS
For the years ended December 31, 2013 and 2012

	Business-Type Activities	
	Landfill	
	Current	Prior
Operating Revenues		
Charges for services	$6,033,468	$5,984,048
Operating Expenses		
Cost of Services:		
Salaries and wages	$1,379,925	$1,246,324
Fringe benefits	581,428	494,453
Professional fees	291,936	70,429
Maintenance	285,524	207,175
Fuel	893,660	883,648
Rents	114,170	91,750
Tonnage fees	92,235	109,021
Repairs	848,895	1,075,324
Contract labor	25,600	-
Waste tire removal	14,268	9,037
Total cost of services	$4,527,641	$4,187,161
Other:		
Administrative expense	$ 443,434	$ 406,081
Insurance	6,348	8,061
Depreciation and amortization	721,031	683,611
Total other	$1,170,813	$1,097,753
Total operating expenses	$5,698,454	$5,284,914
Net Operating Income	$ 335,014	$ 699,134
Non-Operating Revenue (Expense)		
E Waste	$ 6,966	$ 4,970
Landfill closure and postclosure	501,219	(258,106)
Interest income	2,187	2,264
Interest and fiscal charges	(26,605)	(45,919)
Compost income (net)	25,496	(52,851)
Total non-operating revenue (expense)	$ 509,263	$ (349,642)
Change in Net Position	$ 844,277	$ 349,492
Net Position, Beginning of Year	4,247,052	3,897,560
Net Position, End of Year	$5,091,329	$4,247,052

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

SEWARD COUNTY, KANSAS

Statement 7

STATEMENTS OF CASH FLOWS – PROPRIETARY FUNDS

For the years ended December 31, 2013 and 2012

	Business-Type Activities	
	Landfill	
	Current	Prior
Cash Flows from Operating Activities		
Receipts from customers	$ 5,958,965	$ 5,937,671
Disbursements to suppliers	(3,499,932)	(3,362,971)
Disbursements to employees	(1,379,925)	(1,246,324)
Interest income	2,187	2,264
Interest expense	(26,605)	(45,919)
Net cash provided by operating activities	$ 1,054,690	$ 1,284,721
Cash Flows from Capital and Related Financing Activities		
Capitalized landfill pit costs	$ (272,966)	$ -
Purchase of property and equipment	(610,363)	(394,215)
Financing of equipment	379,730	269,700
Principal payments on capital lease obligations	(287,569)	(342,602)
Net cash used in financing activities	$ (791,168)	$ (467,117)
Net Increase (Decrease) in Cash and Cash Equivalents	$ 263,522	$ 817,604
Cash and Cash Equivalents at Beginning of Year	3,898,739	3,081,135
Cash and Cash Equivalents at End of Year	$ 4,162,261	$ 3,898,739
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating income	$ 844,277	$ 349,492
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation expense	$ 690,246	$ 653,110
Amortization expense	30,785	30,501
Changes in Assets and Liabilities:		
Decrease (increase) in accounts receivable	(106,965)	(46,377)
(Decrease) increase in accounts payable	98,343	72,952
(Decrease) increase in accrued compensated absences	173	-
(Decrease) increase in closure and postclosure	(502,169)	225,043
Total adjustments	$ 210,413	$ 935,229
Net Cash Provided by Operating Activities	$ 1,054,690	$ 1,284,721

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

SEWARD COUNTY, KANSAS

Statement 8

STATEMENT OF NET POSITION – FIDUCIARY FUNDS
December 31, 2013

	Assets Cash and Time Deposits	Liabilities	Net Position
Private-Purpose Trust Funds			
Prevention Grant	$ 8,378	$ -	$ 8,378
Register of Deeds – Tech Fund	88,429	-	88,429
Technology Surplus	46,646	-	46,646
City of Liberal Intake	44,224	-	44,224
Micro Loan	51,840	-	51,840
LLEBG2002-51 Grant	11,883	-	11,883
Juvenile Justice Grant	31,744	5,046	26,698
JCAPS-JIAS	10,997	4,897	6,100
JCAPS-CCMA	35,581	6,180	29,401
JCAPS-Program Fees	114,808	86	114,722
Treasurer's Special Auto	15,212	6,279	8,933
Emergency Medical Service:			
Training	11,626	-	11,626
Bequests	2,804	-	2,804
Prosecutor Training	20,259	3,578	16,681
Fire Protection – Bequest	4,727	-	4,727
Law Library	54,315	-	54,315
Sub-total	$ 553,473	$ 26,066	$527,407

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

SEWARD COUNTY, KANSAS

Statement 8
(Continued)

STATEMENT OF NET POSITION – FIDUCIARY FUNDS
December 31, 2013

	Assets Cash and Time Deposits	Liabilities	Net Position
Agency Funds			
Sheriff	$ 13,187	$ 13,187	-
Register of Deeds	20,377	20,377	-
Clerk of District Court	30,558	30,558	-
County Attorney	10,548	10,548	-
Cimarron Basin	251,745	251,745	-
Escape Holding	219	219	-
Patriot Escrow	82,068	82,068	-
Long and Short	(1,188)	(1,188)	-
Vehicle Registration	(433)	(433)	-
Special County Mineral Tax	75,055	75,055	-
Pilot	58,648	58,648	-
Recreational Vehicles	3,762	3,762	-
Sales and Compensating Tax	42,266	42,266	-
Added Tax	6,260	6,260	-
Current Tax	20,021,764	20,021,764	-
Vehicle Property Tax	503,923	503,923	-
Delinquent Personal	29,334	29,334	-
Delinquent Real Estate	94,406	94,406	-
Oil and Gas Money from State	1,223,965	1,223,965	-
Rent Vehicles	3,364	3,364	-
Bankruptcy	659	659	-
Library System Maintenance	(853)	(853)	-
Library System Employees' Benefits	(122)	(122)	-
Sub-total	$22,469,512	$22,469,512	-
Total Fiduciary Funds	$23,022,985	$22,495,578	$527,407

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

SEWARD COUNTY, KANSAS

Statement 9

STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUNDS
PRIVATE–PURPOSE TRUST FUNDS
For the year ended December 31, 2013

	Prevention Grant	Register of Deeds Tech Fund	Technology Surplus	City of Liberal Intake	Micro Loan
ADDITIONS					
Federal and state grants	$ 25,296	$ -	$ -	$ -	-
Intergovernmental	-	-	-	-	-
Charges for services	-	25,596	-	23,600	-
Donations received	-	-	-	-	-
Transfers in	-	-	40,000	-	-
Total additions	$ 25,296	$ 25,596	$ 40,000	$ 23,600	-
DEDUCTIONS					
Personal services	$ -	$ -	-	$ 11,427	$ -
Contractual services	-	-	-	-	200
Commodities	55,798	-	-	-	-
Transfers out	-	40,000	-	-	-
Total deductions	$ 55,798	$ 40,000	-	$ 11,427	$ 200
Change in Net Position	$ (30,502)	$ (14,404)	$ 40,000	$ 12,173	$ (200)
Net Position – Beginning of Year	38,880	102,833	6,646	32,051	52,040
Net Position – End of Year	$ 8,378	$ 88,429	$ 46,646	$ 44,224	$ 51,840

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

SEWARD COUNTY, KANSAS

Statement 9
(Continued)

STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUNDS
PRIVATE–PURPOSE TRUST FUNDS
For the year ended December 31, 2013

	LLEGB 2002-51 Grant	Juvenile Justice Grant	JCAPS-JIAS	JCAPS-CCMA	JCAPS-Program Fees	Treasurer's Special Auto
ADDITIONS						
Federal and state grants	-	$147,220	$116,065	$176,162	$ -	$ -
Intergovernmental	-	-	-	-	-	-
Charges for services	-	4,836	-	-	5,404	155,695
Donations received	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Total additions	-	$152,056	$116,065	$176,162	$ 5,404	$155,695
DEDUCTIONS						
Personal services	$ -	$ 76,340	$ 67,405	$ 84,667	$ -	$135,397
Contractual services	-	52,513	41,716	52,819	-	2,114
Commodities	3,721	9,520	7,474	20,198	323	9,251
Transfers out	-	94,686	-	-	-	33,701
Total deductions	$ 3,721	$233,059	$116,595	$157,684	$ 323	$180,463
Change in Net Position	$ (3,721)	$ (81,003)	$ (530)	$ 18,478	$ 5,081	$ (24,768)
Net Position – Beginning of Year	15,604	107,701	6,630	10,923	109,641	33,701
Net Position – End of Year	$ 11,883	$ 26,698	$ 6,100	$ 29,401	$114,722	$ 8,933

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

SEWARD COUNTY, KANSAS

Statement 9
(Continued)

STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUNDS
PRIVATE–PURPOSE TRUST FUNDS
For the year ended December 31, 2013

	Emergency Medical Service Training	Emergency Medical Service Bequests	Prosecutor Training	Fire Protection Bequests	Law Library	Total
ADDITIONS						
Federal and state grants	$ -	-	$ -	$ -	$ -	$ 464,743
Intergovernmental	1,460	-	-	-	-	1,460
Charges for services	-	-	2,113	-	34,435	251,679
Donations received	-	-	-	4,478	-	4,478
Transfers in	-	-	-	-	-	40,000
Total additions	$ 1,460	-	$ 2,113	$ 4,478	$ 34,435	$ 762,360
DEDUCTIONS						
Personal services	$ -	-	$ -	$ -	$ -	$ 375,236
Contractual services	-	-	8,484	-	-	157,846
Commodities	560	-	-	2,551	-	109,396
Transfers out	-	-	-	-	59,830	228,217
Total deductions	$ 560	-	$ 8,484	$ 2,551	$ 59,830	$ 870,695
Change in Net Position	$ 900	$ -	$ (6,371)	$ 1,927	$ (25,395)	$ (108,335)
Net Position – Beginning of Year	10,726	2,804	23,052	2,800	79,710	635,742
Net Position – End of Year	$ 11,626	$ 2,804	$ 16,681	$ 4,727	$ 54,315	$ 527,407

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Seward County, Kansas is a municipal corporation governed by an elected five-member commission. As required by generally accepted accounting principles, these financial statements present the primary government and its component unit, an entity for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. There were no blended component units for this reporting entity. A discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the primary government. This presented component unit has a December 31 year end. Records of County boards are not subject to examination by certified public accountants in accordance with the provisions of state statute and such boards elected not to have an annual audit of their records for audit year 2013.

Discretely Presented Component Unit

The component unit section of the financial statements includes the financial data of a discretely presented component unit. This component unit is reported separately to emphasize that it is legally separate from the County. The governing body of this component unit is appointed by the County Commission.

Southwest Medical Center – Southwest Medical Center (the Medical Center) is owned by Seward County, Kansas (the County), and governed by a seven-member Board of Trustees appointed by the Board of County Commissioners. The Medical Center is a 101-bed, not-for-profit general hospital located in Liberal, Kansas. The Medical Center can sue and be sued, and can buy, sell, or lease real property. Bond issuances must be approved by the County. The Medical Center is a component unit of the County.

Complete financial statements for the component unit may be obtained at the entity's administrative office:

Southwest Medical Center
315 W. 15th
Liberal, Kansas 67901

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Financial Statements

The accounting and reporting policies of the County relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the County has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the County are described below.

The County's basic financial statements include the accounts of all County operations. The criteria for including organizations as component units within the County's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the County holds the corporate powers of the organization
- the County appoints a voting majority of the organization's board
- the County is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the County
- there is fiscal dependency by the organization on the County

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

Statement 3 provides a reconciliation between the total governmental fund balance and the net position of governmental activities as reported in the government-wide statement of net position.

The reconciling element is due to the governmental funds report capital outlays as expenditures in the year of purchase. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Government-Wide and Fund Financial Statements (Continued)

Reconciliation of Government-Wide and Fund Financial Statements (Continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances.

Statement 4 includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities. One element in the reconciliation is the reporting on the purchase of capital assets. The governmental funds report purchases of the capital assets as a current period expenditure. The statement of activities recognizes the cost of those capital assets allocated over their estimated useful lives and reported as depreciation expense. These reconciling items are shown in the current year of $ (320,038) and total depreciation expense of $2,138,378.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each on which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

1. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

2. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Government-Wide and Fund Financial Statements (Continued)

The funds of the financial reporting entity are described below:

Governmental Funds:

General Fund

The General Fund is the primary operating fund of the County and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally or administratively restricted to expenditures for certain purposes.

Capital Projects Fund

The Capital Projects Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items (other than those financed by enterprise funds). All Capital Projects Funds were completed in previous years.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt and the financing of special assessments that are general obligations of the County (other than debt service payments made by enterprise funds).

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Government-Wide and Fund Financial Statements (Continued)

Proprietary Fund:

Enterprise Fund

Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Fiduciary Funds (Not included in government-wide statements):

Trust Funds

Funds that are held subject to trust agreements.

Agency Funds

Agency funds account for assets held by the County in a purely custodial capacity. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the Landfill Fund as a major proprietary fund.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the County's proprietary fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Position or Equity

Cash and Cash Equivalents

For the purpose of the Statement of Net Position, "cash, including time deposits" includes all demand and savings accounts and certificates of deposits of the County. For the purposes of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposits or short-term investments with an original maturity of three months or less.

Kansas statutes authorize the public entities, with certain restrictions, to deposit or invest in open accounts, time deposits, certificates of deposit, repurchase agreements, U. S. Treasury Bills and Notes, and the State Treasurer's investment pool. Kansas statutes also require that collateral be pledged for bank deposits with a fair market value equal to 100 percent of the uninsured amounts and must be assigned for the benefit of the public entity.

All cash accounts are recorded at cost, plus accrued interest, if applicable. All funds for the primary government were fully collateralized at year end by federal depository insurance and/or collateral held by the entity or its agent in the entity's name.

Restricted Assets

Certain resources are set aside for their repayment and are classified as restricted assets on balance sheet because they are maintained in separate accounts and their use is limited to:

AFLAC accounts
Diversions – County Attorney
Landfill

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the County's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the County's policy is to first apply the expenditure toward restricted fund balance and then to other, less restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Position or Equity (Continued)

Property Taxes

Taxes are assessed on a calendar year basis, are levied and become a lien on the property on November 1st of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20th during the year levied with the balance to be paid on or before May 10th of the ensuing year. Collection of current year property taxes by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year. This procedure is in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the County and therefore are not susceptible to accrual. Accruals of uncollected current year property taxes are offset by deferred revenue and are identical to the adopted budget for 2013.

Only amounts of delinquent tax collected by the County Treasurer are included in receivables and offset by deferred revenue. Records of delinquent tax are such that it is impracticable to ascertain the amounts that represent receivables. Revenue would not be affected since budgetary procedures require reporting on a cash basis.

Activity Between Funds

Activity between funds that are outstanding at the end of the fiscal year are referred to as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”, if applicable. At year end there were no outstanding balances.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Position or Equity (Continued)

Other Receivables – Governmental Funds

Receivables of the general and special revenue funds are not available as resources that can be used to finance the current year operations of the County and, consequently, are offset by reserves in the fund statements for control purposes.

With the exception of delinquent taxes, accounts receivable, which were considered doubtful as to collectability, have been charged off. Therefore, a provision for uncollectible accounts has not been recognized for statement presentation.

Landfill Receivable

The County records landfill revenue billed to its customers on a monthly basis. It is not practicable to estimate unbilled service receivables at year end and further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

Inventories and Prepaid Items

General Fund inventories of noxious weed chemicals are held for the purpose of resale and are carried at cost using the first-in, first-out method. Inventories are expensed when purchased for fund financials and expensed when used for government-wide financials.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

Capital Assets

Capital assets, which include property, buildings and improvements, equipment and infrastructure assets, such as roads, bridges and similar items, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Position or Equity (Continued)

Capital Assets (Continued)

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	10 to 40 years
Infrastructure assets	39 to 50 years
Machinery and equipment	2 to 10 years

Compensated Absences – County Employees

Policy as adopted:

Paid time off (PTO) has been provided to add flexibility to Seward County employees in taking time off away from their employment, but at the same time maintaining effective staffing at all levels of Seward County Government. The Seward County Board of Commissioners find that it is in the best interest of the Seward County employees to be responsible for determining how their time away from work will best suit their individual needs and preferences and that employees should be given flexibility in their paid time away from work. PTO shall be used concurrently to an employee utilizing leave of absence status. This policy shall apply to all full-time employees.

The following accrual chart is based on per pay period:

Length of Service	Accrual
1 year or less	.31 days
2-5 years	.88 days
6-9 years	1.00 days
10-14 years	1.27 days
15 years and over	1.46 days

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Position or Equity (Continued)

Compensated Absences – County Employees (Continued)

The maximum accumulation of PTO by an employee shall be 512 hours or 64 days. Employees who have accrued in excess of 512 hours or 64 days of PTO may exchange PTO in excess of 512 hours for wage based compensation at a rate of 2 hours of PTO for 1 hour of wage based compensation or may place hours in excess of 512 in extended sick leave up to 1,040 hours. Exempt employees may exchange PTO at a ratio of 2 weeks of PTO for 1 week of base compensation or place days in excess of 64 in extended sick leave. Time placed in extended sick leave shall be lost upon termination or retirement. Extended sick leave may only be used for events qualifying for Family and Medical leave and/or following a bona fide illness absence in excess of three consecutive days.

Under this policy, employees who retire from Seward County under the plans offered by Seward County are eligible for a PTO buy out up to 512 hours. This benefit will be available to all full-time employees who are eligible for KPERS or other applicable County sponsored retirement program and have at least five years of full-time service to the County. Amounts have been calculated and have been accrued in the appropriate funds. Amounts that have been accrued for the year ended December 31, 2013 are:

Fund	Amount
General	$549,132
Rural Fire	15,478
Road and Bridge	118,537
Health	78,637
Landfill	99,105

Deferred Revenue

Receivables from taxes and grants from federal and state agencies are reported as deferred revenue for all governmental fund types.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Position or Equity (Continued)

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Government-Wide and Proprietary Fund Net Position

Government-wide and proprietary fund net position is divided into three components:

Net Investment in Capital Assets – Consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted Net Position – Consists of net position that is restricted by the County's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

Unrestricted – All other net position is reported in this category.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Position or Equity (Continued)

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of the County Code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by a formal action by County Commission ordinance or resolution.

Assigned – Amounts that are designated by County officials for a particular purpose.

Unassigned – All amounts not included in other spendable classifications.

Revenues and Expenditures

Revenues

Substantially all governmental fund revenues are accrued. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as nonoperating revenue based on GASB 33. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met, are reported as advances by the provider and deferred revenue by the recipient.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Position or Equity (Continued)

Revenues and Expenditures (Continued)

Revenues (Continued)

Collection of current year property taxes by the County Treasurer is not completed, apportioned, nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with the governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the County and, therefore, are not susceptible to accrual.

Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased. Principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is used in the governmental funds. For budgetary purposes, appropriations lapse at fiscal year end, except for the portion related to encumbered amounts. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitment will be honored during the subsequent year.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Position or Equity (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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 those estimates.

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget Requirements, Accounting and Reporting

Requirements for all funds:

A. Annual budgets are adopted for most County funds. Such budgets are based on expected expenditures by program within a fund and estimated resources by source for all funds. Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time.

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budget Requirements, Accounting and Reporting (Continued)

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Encumbrance accounting is employed by governmental funds. Encumbrances outstanding at year end are reported as reservation of fund balances and do not constitute GAAP expenditures or liabilities. Accordingly, all budget statements reflect the amount of encumbrances included as non-GAAP expenditures. Revenues are recognized when cash is received and expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for Capital Projects Funds, Trust Funds and the following Special Revenue Funds:

EMS Equipment Fund
Rural Fire Equipment Fund
Special Highway Improvement Fund
Road Machinery Fund
Noxious Weed Equipment Fund
911 Wireless Fund
Court Trustee Operations Fund

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

The reconciliation after Statement 4 also reconciles the budgetary information to the GAAP information.

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Deficit Fund Equity at Year End

There was no deficit fund equity at year end.

C. Detail Notes on All Funds

Cash and Cash Equivalents

	Cash & Time Accounts
County Treasurer:	
First National Bank	$36,337,638
Cash on hand	295,954
Other Accounts:	
AFLAC account:	
First National Bank	6,815
Emergency Medical Service:	
First National Bank	183
Cash on hand	250
Clerk of District Court:	
First National Bank	30,558
Law Library:	
First National Bank	54,315
Landfill:	
First National Bank	45,116
Cash on hand	500
Health Department:	
First National Bank	2,666
Cash on hand	100
County Attorney:	
Sunflower Bank	10,548
County Clerk:	
Cash on hand	100

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Detail Notes on All Funds (Continued)

Cash and Cash Equivalents (Continued)

	Cash & Time Accounts
Register of Deeds:	
First National Bank	20,377
Road and Bridge:	
Cash on hand	200
Sheriff:	
Cash on hand	100
Community Bank	13,187
Witness Fee Fund:	
First National Bank	2,500
Total	$36,821,107

Analysis of Total Cash and Time Deposits of Primary Government:	
Unrestricted cash for operations	$34,695,442
Restricted Cash:	
Landfill closure and postclosure care	2,113,687
AFLAC account	6,815
Diversion – County Attorney	5,163
Total	$36,821,107

Reconciliation:

Cash Balances – Statement 1:	
Current Assets	$11,527,552
Restricted Assets	2,270,570
Cash Balances – Statement 8	23,022,985
Total	$36,821,107

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Detail Notes on All Funds (Continued)

Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by Seward County. The statute requires banks eligible to hold Seward County's funds have a main or branch bank in the county in which Seward County 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. Seward County has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits Seward County's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. Seward County has no investment policy that would further limit its investment choices.

Custodial Credit Risk – Deposits – Custodial credit risk for deposits is the risk that in the event of a bank failure, Seward County's deposits may not be returned or Seward County will not be able to recover collateral securities in the possession of an outside party. Seward County's policy requires deposits to be 100 percent secured by collateral valued at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service, as determined by a rating of C minus or above by independent rating agencies. Collateral agreements must be approved prior to deposit of funds as provided by law. The Seward County Commission approves and designates a list of authorized depository institutions based on evaluation of solicited responses and certifications provided by financial institutions and recommendations of an evaluation committee and/or the County Treasurer. Custodial credit risk for deposits is not formally addressed by bond indentures or pension trust policy. Indentures require that restricted deposits be maintained by the trustee bank specified in the indenture. Pension trust investment policy restricts uninvested cash to minimal balances generally covered by the FDIC.

Deposits of Seward County's reporting entity are insured or collateralized with securities held by Seward County, its agent, or by the pledging financial institutions' trust department or agent in the name of Seward County or applicable public trust.

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Detail Notes on All Funds (Continued)

Deposits and Investments (Continued)

At December 31, 2013, Seward County's carrying amount of deposits, including certificates of deposit, was $36,523,903. The bank balance was $36,600,363. Of the bank balance, $523,735 was covered by FDIC insurance and the remaining $36,076,628 was collateralized with securities held by the pledging financial institution's agent in Seward County's name.

Custodial Credit Risk – Investments – For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, Seward County 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.

Receivables as of Year End for Government's Individual Major Funds and Nonmajor Funds

	Primary Government		
	Governmental	Business-Type	
Receivables	Activities	Activities	Total
Taxes:			
Ad valorem tax	$10,184,324	-	$10,184,324
Motor vehicle tax	725,598	-	725,598
Delinquent tax	161,023	-	161,023
Special County mineral taxes	37,528	-	37,528
Sales tax	176,403	-	176,403
Total taxes	$11,284,876	$ -	$11,284,876
Accounts	196,959	793,585	990,544
Net receivables	$11,481,835	$793,585	$12,275,420

Provision for Uncollectibles

Business-type receivables are primarily from other governments and are considered fully collectible.

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Detail Notes on All Funds (Continued)

Provision for Uncollectibles (Continued)

With the exception of delinquent taxes, other receivables which were considered doubtful as to collectibility have been charged off annually. Therefore, a provision for uncollectible accounts has not been recognized for statement presentation.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

Funds	Amounts
General	$ 8,779,152
County Building	287,382
Rural Fire	494,460
Road and Bridge	1,723,882
Total	$11,284,876

Interfund Transfers

The detail of interfund transfers made for the year 2013 are as follows:

From	To	Regulatory Authority	Amount
Rural Fire Fund	Rural Fire Equipment Fund	KSA 19-3612c	$130,000
Road and Bridge Fund	Special Highway Fund	KSA 68-589	200,000
Road and Bridge Fund	Road Machinery Fund	KSA 68-141g	200,000
General Fund	Capital Equipment Reserve Fund	KSA 19-119	350,000
General Fund	Equipment Reserve – County Technology Fund	KSA 19-119	72,058

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Detail Notes on All Funds (Continued)

Inventories:

Governmental Funds – Disbursements for inventory type items are considered as expenditures at the time of purchase. Balance sheet presentation of stated inventory is offset in the equity section of the balance sheet as reserve for inventory. The only stated inventory is included in the General Fund in the amount of $22,005 for noxious weed treatment.

Prepaid Expense

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items. There were no prepaid expenses reported as of year end.

Capital Assets:

Enterprise Activities – Landfill

Capital assets and related depreciation have been recorded for the Landfill Fund. Recorded property, plant and equipment owned by the Landfill Fund are stated at cost or estimated historical cost if original cost is not available. Gifts or contributions are stated at fair market value at the date received. Depreciation has been provided over the estimated useful lives using the straight-line method.

Gain or loss is recognized when assets are retired from service or are otherwise disposed.

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Detail Notes on All Funds (Continued)

Capital Assets (Continued):

Enterprise Activities – Landfill (Continued)

A summary of property, plant and equipment is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Land	$ 91,844	$ -	-	$ 91,844
Landfill pit	3,648,792	272,966	-	3,921,758
Buildings and improvements	631,742	-	-	631,742
Machinery and equipment	7,646,682	610,363	-	8,257,045
Total	$12,019,060	$ 883,329	-	$12,902,389
Less – Accumulated depreciation for:				
Buildings and improvements	$ (306,729)	$ (22,116)	-	$ (328,845)
Landfill pit	(2,960,301)	(30,785)	-	(2,991,086)
Machinery and equipment	(5,599,063)	(668,130)	-	(6,267,193)
Total	$ (8,866,093)	$ (721,031)	-	$ (9,587,124)
Net Capital Assets	$ 3,152,967	$ 162,298	-	$ 3,315,265

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Detail Notes on All Funds (Continued)

Capital Assets (Continued):

Governmental Activities

Capital assets and related depreciation have been recorded for all governmental activities. Public domain (infrastructure) capital assets consisting of roads and bridges are also capitalized and depreciated.

A summary of property, plant and equipment is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
General Government Control:					
County Commissioners	$ 55,076	$ 1,164	$ -	$ -	$ 56,240
County Administrator	52,873	996	-	(5,989)	47,880
Staff Agencies:					
County Clerk	353,848	6,864	(4,372)	-	356,340
County Appraiser	170,466	4,091	-	-	174,557
County Treasurer	131,365	921	-	-	132,286
County Attorney	172,813	8,342	(3,664)	-	177,491
District Court	440,512	1,223	(25,274)	-	416,461
Register of Deeds	90,481	-	-	-	90,481
Courthouse General	8,096,305	93,847	(1,389)	67,843	8,256,606
Total Government	$ 9,563,739	$ 117,448	$ (34,699)	$ 61,854	$ 9,708,342
Public Safety:					
Sheriff	$ 1,889,286	$ 168,670	$ (54,334)	$ (40,724)	$ 1,962,898
Civil Defense	226,637	-	-	-	226,637
Fire Protection	1,922,072	244,970	(3,500)	23,000	2,186,542
Emergency Medical Service	1,053,999	532,899	-	(61,855)	1,525,043
911	639,815	-	-	17,725	657,540
Jail Facility	7,001,471	36,653	-	-	7,038,124
Total Public Safety	$12,733,280	$ 983,192	$ (57,834)	$ (61,854)	$13,596,784

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Detail Notes on All Funds (Continued)

Capital Assets (Continued):

Governmental Activities (Continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Other:					
Health – Mental Health	$ 585,955	$ -	$ -	-	$ 585,955
Highways	54,037,824	641,406	(25,754)	-	54,653,476
Natural Resources – Noxious Weed	162,090	-	-	-	162,090
Exhibit Hall	1,966,950	-	-	-	1,966,950
Health	432,793	4,936	-	-	437,729
Planning and Zoning	18,716	870	-	-	19,586
Restlawn Cemetery	17,442	-	-	-	17,442
Activity Center	244,615	72,225	(18,139)	-	298,701
Fair Grounds	430,672	-	-	-	430,672
Total Other	$57,897,057	$ 719,437	$ (43,893)	-	$58,572,601
Total	$80,194,076	$1,820,077	$ (136,426)	-	$81,877,727
Less – Accumulated depreciation for:					
General Government Control:					
County Commissioners	$ 46,409	$ 4,450	$ -	$ -	$ 50,859
County Administrator	42,304	3,084	-	(4,277)	41,111
Staff Agencies:					
County Clerk	319,000	19,825	(4,372)	-	334,453
County Appraiser	147,767	11,291	-	-	159,058
County Treasurer	127,351	2,062	-	-	129,413
County Attorney	150,408	6,818	(3,664)	-	153,562
District Court	382,914	19,695	(25,274)	-	377,335
Register of Deeds	71,330	7,694	-	-	79,024
Courthouse General	2,411,199	241,993	(139)	66,132	2,719,185
Total Government	$ 3,698,682	$ 316,912	$ (33,449)	$ 61,855	$ 4,044,000

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Detail Notes on All Funds (Continued)

Capital Assets (Continued):

Governmental Activities (Continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Less – Accumulated depreciation for (Cont.):					
Public Safety:					
Sheriff	$ 1,448,478	$ 154,451	$ (53,846)	$ (39,166)	$ 1,509,917
Civil Defense	170,397	14,694	-	-	185,091
Fire Protection	1,574,159	81,613	(3,500)	23,000	1,675,272
Emergency Medical Service	945,444	67,440	-	(61,855)	951,029
911	541,688	26,129	-	16,166	583,983
Jail Facility	2,263,595	199,119	-	-	2,462,714
Total Public Safety	$ 6,943,761	$ 543,446	$ (57,346)	$ (61,855)	$ 7,368,006
Other:					
Health – Mental Health	$ 423,509	$ 20,843	$ -	-	$ 444,352
Highways	51,609,457	1,162,854	(25,754)	-	52,746,557
Natural Resources – Noxious Weed	127,890	7,600	-	-	135,490
Exhibit Hall	1,008,698	50,434	-	-	1,059,132
Health	217,901	19,195	-	-	237,096
Planning and Zoning	17,248	602	-	-	17,850
Restlawn Cemetery	11,766	2,307	-	-	14,073
Activity Center	228,146	9,400	(18,139)	-	219,407
Fair Grounds	406,375	4,785	-	-	411,160
Total Other	$54,050,990	$ 1,278,020	$ (43,893)	-	$55,285,117
Total	$64,693,433	$ 2,138,378	$ (134,688)	-	$66,697,123
Net Capital Assets	$15,500,643	$ (318,301)	$ (1,738)	-	$15,180,604

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Detail Notes on All Funds (Continued)

Discretely Presented Component Unit

Activity of Southwest Medical Center is presented in Statements 1 and 2.

Operating and Capital Leases

On January 1, 2012, the County entered into an operating lease for land in Oklahoma for use by the landfill. It requires monthly payments of $4,000 for five years, ending December 31, 2016. The County has the option to purchase the land for $218,000 at the end of the lease. Due to the uncertainty as to whether the County will purchase the land at the end of the lease, the lease is being treated as an operating lease. Minimum future rent payments are as follows:

2014	$ 48,000
2015	48,000
2016	48,000
	$144,000

Short-Term Debt

The following is a summary of short-term debt:

Beginning balance	-	
Increases	-	
Decreases	-	
Ending balance		-

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Detail Notes on All Funds (Continued)

Long-Term Debt

Long-term debt of the discretely presented component unit consists of the following:

	2013	2012
2.0% to 5.0% General Obligation Hospital Refunding and Improvement Bonds, Series 2010-A; issued on May 27, 2010, in the original amount of $17,670,000, due serially through August 1, 2040	$16,275,000	$16,455,000
Net unamortized premium (discount)	405,159	430,379
	$16,680,159	$16,885,379
Less – Current portion	355,000	180,000
	$16,325,159	$16,705,379

On May 27, 2010, the County issued $17,670,000 in General Obligation Hospital Refunding and Improvement Bonds, Series 2010-A (the 2010-A bonds) on behalf of the Medical Center pursuant to a bond trust indenture dated May 1, 2010. The proceeds of the bonds were used, together with other available funds of the Medical Center, for the purpose of providing funds to (1) expand and renovate the Medical Center's existing facilities, (2) pay for the costs of certain items of equipment, (3) fund a debt service reserve fund, (4) pay certain costs related to issuance of the bonds, and (5) make the payment as scheduled on August 1, 2010, for principal and interest due then on the 2001-A bonds.

On November 1, 2010, the County engaged in a current refunding of the 2001-A bonds then outstanding by making an irrevocable deposit with a trustee of $3,119,280 of available funds of the Medical Center. Those funds were used by the trustee to purchase direct obligations of the United States of America that will mature and pay interest in amounts and at times that will provide for payment of principal and interest on the 2001-A bonds through August 1, 2011, and to redeem and pay the 2001-A bonds remaining outstanding on that date at a redemption price of 100 percent. A loss on extinguishment of debt of $137,399 was recognized in the 2010 financial statements because the acquisition cost of the extinguished debt was greater than the net carrying amount of that debt on the balance sheet.

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Detail Notes on All Funds (Continued)

Long-Term Debt (Continued)

The indenture agreements for the bonds require the Medical Center to transfer to a trustee, on a monthly basis, specified amounts which, when combined with interest earned on the respective funds held by the trustee, will provide sufficient funds to pay the bond principal and interest on the appropriate due dates. Such amounts were maintained and are included with assets limited as to use in the financial statements. The indenture agreements also include certain restrictive covenants relating to the acquisition and disposition of property, incurrence of additional indebtedness, and level of fees and rates charged.

Scheduled annual debt service requirements on long-term debt are as follows:

	Principal	Interest	Total
2014	$ 355,000	$ 729,050	$ 1,084,050
2015	360,000	721,062	1,081,062
2016	370,000	712,062	1,082,062
2017	380,000	700,963	1,080,963
2018	395,000	688,613	1,083,613
2019-2023	2,180,000	3,232,045	5,412,045
2024-2028	2,625,000	2,789,195	5,414,195
2029-2033	3,340,000	2,084,750	5,424,750
2034-2038	4,255,000	1,162,500	5,417,500
2039-2040	2,015,000	152,250	2,167,250
	$16,275,000	$12,972,490	$29,247,490

The following is a summary of changes in long-term debt:

	Amount
Principal outstanding at January 1, 2012	$16,630,000
Principal payments	(175,000)
Principal outstanding at January 1, 2013	$16,455,000
Principal payments	(180,000)
Principal outstanding at December 31, 2013	$16,275,000

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Detail Notes on All Funds (Continued)

Long-Term Debt (Continued)

Total interest costs are summarized as follows:

	2013	2012
Total interest incurred	$731,163	$ 745,649
Amortization of bond premium	(25,220)	(25,562)
Interest expense	$705,943	$ 720,087
Less – Interest earned on borrowed funds offset against capitalized interest costs	-	(301)
Net capitalized interest costs	-	(438,031)
Interest expense	$705,943	$ 281,755

Governmental Activities

On June 3, 2013, a lease purchase in the amount of $285,792, with an interest rate of 4.17% was acquired.

Balance of principal remaining at December 31, 2013:

Fund	Amount	Interest Rate
General – Ambulance	$221,144	4.17%

Detail of scheduled payments by year including interest of $23,985:

Year	Principal	Interest	Total
2014	$ 51,884	$ 9,398	$ 61,282
2015	54,089	7,194	61,283
2016	56,387	4,895	61,282
2017	58,784	2,498	61,282
Total	$221,144	$ 23,985	$245,129

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Detail Notes on All Funds (Continued)

Governmental Activities (Continued)

The following is a summary of changes in long-term debt of governmental activities:

	Balance at Beginning of Year	Increase	Decrease	Balance at End of Year	Due Within One Year
Capital leases	$ -	$ 285,792	$ (64,648)	$221,144	$51,884
Compensated absences	579,898	761,784	(579,898)	761,784	-
	$579,898	$1,047,576	$ (644,546)	$982,928	$51,884

Business-Type Activities

Landfill Debt

On September 1, 2010, a lease purchase in the amount of $175,559, with an interest rate of 4.25% was acquired.

On August 15, 2011, a lease purchase in the amount of $630,000, with an interest rate of 4.25% was acquired.

On May 21, 2012, a lease purchase in the amount of $269,700, with an interest rate of 4.22% was acquired.

On November 4, 2013, a lease purchase in the amount of $379,730, with an interest rate of 4.25% was acquired.

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Detail Notes on All Funds (Continued)

Business-Type Activities (Continued)

Landfill Debt (Continued)

Balance of principal remaining at December 31, 2013:

Fund	Amount	Interest Rate
Landfill – Equipment	$367,161	4.25%
Landfill – Equipment	65,328	4.25%
Landfill – Equipment	351,675	4.25%
Landfill – Equipment	168,175	4.22%
Total	$952,339	

Detail of scheduled payments by year including interest of $64,414:

Year	Principal	Interest	Total
2014	$302,343	$ 34,648	$ 336,991
2015	305,237	21,938	327,175
2016	197,438	10,188	207,626
2017	79,721	4,713	84,434
2018	67,600	1,136	68,736
Total	$952,339	$ 72,623	$1,024,962

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Detail Notes on All Funds (Continued)

Business-Type Activities (Continued)

Landfill Debt (Continued)

The following is a summary of changes in long-term debt:

	Balance at Beginning of Year	Increase	Decrease	Balance at End of Year	Due Within One Year
Capital leases	$ 860,178	$379,730	$ (287,569)	$ 952,339	$302,343
Compensated absences	98,931	99,105	(98,931)	99,105	-
Landfill closure and postclosure care costs	2,279,169	-	(502,169)	1,777,000	-
	$3,238,278	$478,835	$ (888,669)	$2,828,444	$302,343

Closure and Postclosure Care Cost

Primary government is included in this classification of an original closure and postclosure cost of $3,381,807. State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The $1,777,000 reported as landfill closure and postclosure care liability at December 31, 2013 represents the cumulative amount reported to date. The County will recognize the remaining postclosure costs of $1,604,807 over the next 25 years. These amounts are based on what it would cost to perform all closure and postclosure care in 2013. Actual cost may be higher due to inflation, changes in technology or changes in regulations. The percentage of landfill capacity used to date is 52 percent. The estimated remaining landfill life is 25 years.

As of December 31, 2013, there was $2,113,687 set aside to finance closure and postclosure costs. A tipping fee set aside was approved.

Note 3: OTHER INFORMATION

A. Defined Benefit Pension Plan

Plan Description

Seward County participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are part of a cost-sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. K.S.A. 74-4975 establishes KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. KPERS employer rate established by statutes for January 1, 2013 to December 31, 2013 is 7.94%.

Note 3: OTHER INFORMATION (Continued)

B. Salary Reduction Plan

Seward County has adopted a 457 elective salary reduction plan with ING Financial Services for employees' retirement. The plan transactions for the year ended December 31, 2013 are as follows:

Beginning balance	$369,482
Contributions	28,867
Withdrawals	(619)
Change in value	99,736
Ending balance	$497,466

C. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

D. Federal Assistance

Seward County participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives for audits of these programs for or including the year ending December 31, 2013.

It is possible that the County's compliance with applicable grant agreements may be established at some future date. The amount of expenditures which may be disallowed by the grantor agencies cannot be determined at this date, although the County expects such amounts, if any, to be immaterial.

E. Environmental Issues

Environmental issues pertaining to Seward County are subject to state and federal requirements. The amount of expenditures required, if any, is not presently ascertainable.

Note 3: OTHER INFORMATION (Continued)

F. Contingencies – Self-Insured Health Insurance

Seward County has entered into an agreement with Blue Cross/Blue Shield of Kansas in which the County self insures claims to an individual stop loss of $75,000. There is no aggregate stop loss on the contract.

G. Interfund Eliminations

There were no interfund eliminations made.

H. Compliance and Propriety Matters – Seward County

1. Contrary to the provisions of K.S.A. 10-1117 and 79-2934, the required budget and encumbrance records were not properly maintained by the County Clerk.
2. Contrary to the provisions of K.S.A. 19-312, the County Clerk did not maintain an account of charges and credits on the current year tax roll abstract showing the treasurer's accountability.
3. Contrary to the provisions of K.S.A. 32-984, the County Clerk did not remit daily to the County Treasurer game license fees.
4. Contrary to the provisions of K.S.A. 79-3104, the County Register of Deeds did not remit daily to the County Treasurer mortgage registration fees and heritage trust fund fees.

The above noncompliance matters have been discussed with various County officials.

I. Subsequent Events

Seward County's management has evaluated events and transactions through August 22, 2014, the date which the financial statements were available to be issued.

SEWARD COUNTY, KANSAS

REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2013

SEWARD COUNTY, KANSAS

Schedule 1

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND
For the year ended December 31, 2013

	Original & Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Revenue			
Taxes:			
Ad valorem property tax	$8,110,494	$7,776,044	$ (334,450)
Delinquent tax	50,000	116,827	66,827
Motor vehicle tax	640,419	579,881	(60,538)
Mineral tax	130,000	96,383	(33,617)
Payment in lieu of taxes	-	14,546	14,546
Interest on delinquent taxes	85,000	85,601	601
Total taxes	$9,015,913	$8,669,282	$ (346,631)
Intergovernmental:			
Private club liquor tax	$ 3,500	$ 13,986	$ 10,486
Local sales tax	1,700,000	2,140,806	440,806
Health initiatives	750,000	807,553	57,553
Civil Defense	-	103,532	103,532
Total intergovernmental	$2,453,500	$3,065,877	$ 612,377
Charges for Sales & Services:			
Sale of cemetery lots and fees	$ 18,000	$ 19,500	$ 1,500
Chemical sales	62,000	65,076	3,076
Emergency Medical Service	300,000	382,707	82,707
Jail Board	100,000	63,830	(36,170)
Total charges for sales and services	$ 480,000	$ 531,113	$ 51,113
Licenses, Permits and Fees:			
Fees	$ 70,000	$ 273,185	$ 203,185
Mortgage registration fees	90,000	237,270	147,270
Officers' fees	110,000	116,364	6,364
Tonnage fees	125,000	148,442	23,442
Total licenses, permits and fees	$ 395,000	$ 775,261	$ 380,261
Use of Money and Property:			
Interest on time deposits	$ 110,000	$ 100,716	$ (9,284)
Rentals and royalties	117,500	115,793	(1,707)
Total use of money and property	$ 227,500	$ 216,509	$ (10,991)

SEWARD COUNTY, KANSAS

Schedule 1
(Continued)

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND
For the year ended December 31, 2013

	Original & Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Revenue (Continued)			
Other:			
Miscellaneous	-	$ 36,619	$ 36,619
Total revenue	$12,571,913	$13,294,661	$ 722,748
Expenditures			
General Government:			
County Administration	$ 85,500	$ 85,700	$ (200)
County Commissioners	95,700	98,654	(2,954)
County Counselor	80,000	104,041	(24,041)
County Clerk	128,740	131,415	(2,675)
County Treasurer	202,000	195,153	6,847
County Attorney	627,000	677,368	(50,368)
Planning Board	108,143	90,965	17,178
Register of Deeds	149,088	106,783	42,305
Clerk of District Court	419,970	441,433	(21,463)
Courthouse General	1,046,200	1,066,574	(20,374)
Information Technology	406,355	342,480	63,875
GIS	63,672	61,400	2,272
Election	80,820	79,656	1,164
County Appraiser	301,311	270,171	31,140
Human Resources	109,000	106,782	2,218
Reserve for claim	1,020,000	118,455	901,545
Total general government	$ 4,923,499	$ 3,977,030	$ 946,469
Public Safety:			
Sheriff	$ 1,259,390	$ 1,164,820	$ 94,570
Emergency Preparedness	104,992	103,143	1,849
Jail	1,551,016	1,233,358	317,658
Communications	269,240	269,240	-
Civil Defense	-	119,287	(119,287)
Juvenile Detention	300,000	216,651	83,349
Total public safety	$ 3,484,638	$ 3,106,499	$ 378,139

SEWARD COUNTY, KANSAS

Schedule 1
(Continued)

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND
For the year ended December 31, 2013

	Original & Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Expenditures (Continued)			
Natural Resources:			
Noxious Weed	$ 168,425	$ 164,015	$ 4,410
Soil Conservation	41,704	41,704	-
County Extension	150,000	150,000	-
Total natural resources	$ 360,129	$ 355,719	$ 4,410
Employees' Benefits:			
Health insurance	$ 2,355,000	$ 1,500,963	$ 854,037
Employer costs	413,200	1,451,981	(1,038,781)
Total employees' benefits	$ 2,768,200	$ 2,952,944	$ (184,744)
Health and Sanitation:			
Emergency Medical Service	$ 771,000	$ 645,448	$ 125,552
Coroner	42,100	38,647	3,453
Mental Health	75,000	75,000	-
Developmental Disabled	156,950	156,950	-
Cemetery	55,000	56,013	(1,013)
Total health and sanitation	$ 1,100,050	$ 972,058	$ 127,992
Social Services:			
Adolescent support	$ 294,800	$ 294,800	-
SKADAF	65,000	65,000	-
Veterans	16,385	16,385	-
Total social services	$ 376,185	$ 376,185	-
Culture and Recreation:			
Council on Aging	$ 278,035	$ 278,035	$ -
Historical Museum	80,000	80,000	-
Fair	50,000	50,000	-
Activity Center	253,550	245,462	8,088
Economic Development	5,300	5,060	240
Total culture and recreation	$ 666,885	$ 658,557	$ 8,328

SEWARD COUNTY, KANSAS

Schedule 1
(Continued)

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND
For the year ended December 31, 2013

	Original & Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Expenditures (Continued)			
Other:			
Employee Committee	$ 11,066	$ 11,055	$ 11
Transfers:			
Equipment	$ 350,000	$ 422,058	$ (72,058)
Total expenditures	$14,040,652	$12,832,105	$1,208,547
Net Change in Fund Balances	$ (1,468,739)	$ 462,556	$1,931,295
Fund Balances, Beginning	1,468,739	2,748,217	1,279,478
Other Changes:			
Increase or (Decrease) in Reserves:			
Other receivables	-	(186,977)	(186,977)
Restricted assets	-	(235)	(235)
Inventory	-	(13,683)	(13,683)
Encumbrances	-	112,000	112,000
Prepaid expenses	-	28,523	28,523
Fund Balances, Ending	-	$ 3,150,401	$3,150,401

SEWARD COUNTY, KANSAS

OTHER SUPPLEMENTARY INFORMATION

December 31, 2013

SEWARD COUNTY, KANSAS

Schedule 2

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2013

	Rural Fire	County Building	Health Special Services	County Attorney Diversion	Capital Equipment Reserve	Road & Bridge	Special Park & Recreation	Special Alcoholic Treatment
ASSETS								
Cash, including time deposits	$252,307	$669,173	$740,628	$ 35,743	$822,792	$ 488,098	$ 1,156	$ 1,156
Accounts receivable	-	-	69,717	-	-	-	-	-
Taxes receivable	494,460	287,382	-	-	-	1,723,882	-	-
Total Assets	$746,767	$956,555	$810,345	$ 35,743	$822,792	$2,211,980	$ 1,156	$ 1,156
LIABILITIES								
Accounts payable	$ 19,730	$ 13,785	$ 19,718	$ 8,384	$ 84,605	$ 40,190	-	-
Accrued wages and benefits	4,782	-	31,284	-	-	26,510	-	-
Total liabilities	$ 24,512	$ 13,785	$ 51,002	$ 8,384	$ 84,605	$ 66,700	-	-
DEFERRED INFLOWS OF RESOURCES								
Deferred revenue	$494,460	$287,382	-	-	-	$1,723,882	-	-
FUND BALANCES								
Nonspendable – Receivables	$ -	$ -	$ 69,717	$ -	$ -	$ -	$ -	$ -
Assigned	227,795	655,388	689,626	27,359	738,187	421,398	1,156	1,156
Total fund balances	$227,795	$655,388	$759,343	$ 27,359	$738,187	$ 421,398	$ 1,156	$ 1,156
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$746,767	$956,555	$810,345	$ 35,743	$822,792	$2,211,980	$ 1,156	$ 1,156

SEWARD COUNTY, KANSAS

Schedule 2
(Continued)

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2013

	911 Telephone System	Rural Fire Equipment	Special Highway Improvement	Noxious Weed Equipment	Road Machinery	Equipment Reserve County Technology	Total Nonmajor Special Revenue
ASSETS							
Cash, including time deposits	$641,524	$535,647	$763,036	$ 9,935	$999,198	$ 72,058	$6,032,451
Accounts receivable	-	-	-	-	-	-	69,717
Taxes receivable	-	-	-	-	-	-	2,505,724
Total Assets	$641,524	$535,647	$763,036	$ 9,935	$999,198	$ 72,058	$8,607,892
LIABILITIES							
Accounts payable	$ 2,429	$ 67,538	-	-	$162,867	-	$ 419,246
Accrued wages and benefits	-	-	-	-	-	-	62,576
Total liabilities	$ 2,429	$ 67,538	-	-	$162,867	-	$ 481,822
DEFERRED INFLOWS OF RESOURCES							
Deferred revenue	-	-	-	-	-	-	$2,505,724
FUND BALANCES							
Nonspendable – Receivables	$ -	$ -	$ -	$ -	$ -	$ -	$ 69,717
Assigned	639,095	468,109	763,036	9,935	836,331	72,058	5,550,629
Total fund balances	$639,095	$468,109	$763,036	$ 9,935	$836,331	$ 72,058	$5,620,346
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$641,524	$535,647	$763,036	$ 9,935	$999,198	$ 72,058	$8,607,892

SEWARD COUNTY, KANSAS

Schedule 3

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS
For the year ended December 31, 2013

	Rural Fire	County Building	Health Special Services	County Attorney Diversion	Capital Equipment Reserve	Road & Bridge	Special Park & Recreation	Special Alcoholic Treatment
Revenues								
Taxes	$ 538,520	$288,691	$ -	$ -	$ -	$1,955,376	$ 3,786	$ 3,786
Intergovernmental	-	-	869,517	37,495	-	-	-	-
Charges for services	-	-	262,228	-	-	-	-	-
Other	-	49,432	-	-	18,700	-	-	-
Total revenues	$ 538,520	$338,123	$1,131,745	$ 37,495	$ 18,700	$1,955,376	$ 3,786	$ 3,786
Expenditures								
General government	$ -	$168,475	$ -	$ 57,327	$ 94,268	$ -	$ -	$ -
Public safety	321,908	-	-	-	-	-	-	-
Health and sanitation	-	-	1,004,729	-	241,993	-	-	-
Culture and recreation	-	-	-	-	-	-	5,100	5,100
Transportation	-	-	-	-	-	1,306,517	-	-
Total expenditures	$ 321,908	$168,475	$1,004,729	$ 57,327	$ 336,261	$1,306,517	$ 5,100	$ 5,100
Revenue over (under) expenditures	$ 216,612	$169,648	$ 127,016	$ (19,832)	$ (317,561)	$ 648,859	$ (1,314)	$ (1,314)
Fund Balances, January 1	141,183	485,740	658,074	47,191	705,748	172,539	2,470	2,470
Operating transfers	(130,000)	-	-	-	350,000	(400,000)	-	-
Other Changes:								
Increase or (decrease) in reserves	-	-	(25,747)	-	-	-	-	-
Fund Balances, December 31	$ 227,795	$655,388	$ 759,343	$ 27,359	$ 738,187	$ 421,398	$ 1,156	$ 1,156

SEWARD COUNTY, KANSAS

Schedule 3
(Continued)

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS
For the year ended December 31, 2013

	911 Telephone System	Rural Fire Equipment	Special Highway Improvement	Noxious Weed Equipment	Road Machinery	Equipment Reserve County Technology	Total Nonmajor Special Revenue
Revenues							
Taxes	$ -	-	-	-	$ -	-	$2,790,159
Intergovernmental	113,212	-	-	-	-	-	1,020,224
Charges for services	-	-	-	-	-	-	262,228
Other	-	-	-	-	28,181	-	96,313
Total revenues	$113,212	-	-	-	$ 28,181	-	$4,168,924
Expenditures							
General government	$ -	$ -	$ -	-	$ -	-	$ 320,070
Public safety	54,084	234,595	-	-	-	-	610,587
Health and sanitation	-	-	-	-	-	-	1,246,722
Culture and recreation	-	-	-	-	-	-	10,200
Transportation	-	-	415,886	-	208,912	-	1,931,315
Total expenditures	$ 54,084	$ 234,595	$ 415,886	-	$ 208,912	-	$4,118,894
Revenue over (under) expenditures	$ 59,128	$ (234,595)	$ (415,886)	$ -	$ (180,731)	$ -	$ 50,030
Fund Balances, January 1	579,967	572,704	978,922	9,935	817,062	-	5,174,005
Operating transfers	-	130,000	200,000	-	200,000	72,058	422,058
Other Changes:							
Increase or (decrease) in reserves	-	-	-	-	-	-	(25,747)
Fund Balances, December 31	$639,095	$ 468,109	$ 763,036	$ 9,935	$ 836,331	$ 72,058	$5,620,346

SEWARD COUNTY, KANSAS

Schedule 4-1

RURAL FIRE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2013

	Original & Final Budget	Actual	Variance Favorable (Unfavor.)
Revenues			
Taxes:			
Ad valorem property tax	$ 541,289	$ 522,489	$ (18,800)
Delinquent tax	2,000	3,122	1,122
Motor vehicle tax	11,069	11,256	187
Payment in lieu of taxes	-	1,653	1,653
Total revenue	$ 554,358	$ 538,520	$ (15,838)
Expenditures			
Public Safety – Fire Protection:			
Personal services	$ 148,138	$ 134,002	$ 14,136
Contractual services	143,470	162,497	(19,027)
Commodities	37,200	24,091	13,109
Capital outlay	7,350	1,318	6,032
Total expenditures	$ 336,158	$ 321,908	$ 14,250
Revenue over (under) expenditures	$ 218,200	$ 216,612	$ (1,588)
Other Financing Sources (Uses):			
Operating transfers (out)	(280,000)	(130,000)	150,000
Fund Balances, Beginning	61,800	141,183	79,383
Fund Balances, Ending	-	$ 227,795	$227,795

SEWARD COUNTY, KANSAS

Schedule 4-2

COUNTY BUILDING FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2013

	Original & Final Budget	Actual	Variance Favorable (Unfavor.)
Revenues			
Taxes:			
Ad valorem property tax	$ 278,035	$264,978	$ (13,057)
Delinquent tax	2,000	4,230	2,230
Motor vehicle tax	20,023	18,986	(1,037)
Total taxes	$ 300,058	$288,194	$ (11,864)
Other:			
Payments in lieu of taxes	$ -	$ 497	$ 497
Rent	25,200	25,200	-
Miscellaneous	-	24,232	24,232
Total other	$ 25,200	$ 49,929	$ 24,729
Total revenue	$ 325,258	$338,123	$ 12,865
Expenditures			
General Government:			
Contractual services	736,000	168,475	567,525
Revenue over (under) expenditures	$ (410,742)	$169,648	$580,390
Fund Balances, Beginning	410,742	485,740	74,998
Fund Balances, Ending	-	$655,388	$655,388

SEWARD COUNTY, KANSAS

Schedule 4-3

HEALTH – SPECIAL SERVICES FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2013

	Original & Final Budget	Actual	Variance Favorable (Unfavor.)
Revenues			
Intergovernmental:			
Sales tax	$ 399,020	$ 438,040	$ 39,020
Federal and state grants	450,000	431,477	(18,523)
Charges for sales and services	130,000	262,228	132,228
Total revenue	$ 979,020	$1,131,745	$ 152,725
Expenditures			
Health:			
Personal services	$ 670,000	$ 669,337	$ 663
Contractual services	180,020	323,390	(143,370)
Commodities	168,000	5,085	162,915
Capital outlay	21,000	5,737	15,263
Total expenditures	$1,039,020	$1,003,549	$ 35,471
Revenue over (under) expenditures	$ (60,000)	$ 128,196	$ 188,196
Fund Balances, Beginning	60,000	561,430	501,430
Other Changes:			
Increase or (Decrease) in Reserves	-	(25,747)	(25,747)
Fund Balances, Ending	-	$ 663,879	$ 663,879

SEWARD COUNTY, KANSAS

Schedule 4-4

COUNTY ATTORNEY DIVERSION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2013

	Original & Final Budget	Actual	Variance Favorable (Unfavor.)
Revenues			
Intergovernmental:			
Diversion fees	$ 50,000	$ 37,495	$ (12,505)
Expenditures			
General Government:			
Personal services	$ 45,000	$ 5,965	$ 39,035
Contractual services	66,900	51,362	15,538
Commodities	13,000	-	13,000
Total expenditures	$124,900	$ 57,327	$ 67,573
Revenue over (under) expenditures	$ (74,900)	$ (19,832)	$ 55,068
Fund Balances, Beginning	74,900	47,191	(27,709)
Fund Balances, Ending	-	$ 27,359	$ 27,359

SEWARD COUNTY, KANSAS

Schedule 4-5

CAPITAL EQUIPMENT RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2013

	Original & Final Budget	Actual	Variance Favorable (Unfavor.)
Revenues			
Other:			
Transfers – General Fund	$ 350,000	$350,000	$ -
Miscellaneous	-	18,700	18,700
Total revenue	$ 350,000	$368,700	$ 18,700
Expenditures			
General Government:			
Capital outlay	$ 750,000	$ 94,268	$ 655,732
Health and Sanitation:			
Capital outlay	-	241,993	(241,993)
Total expenditures	$ 750,000	$336,261	$ 413,739
Revenue over (under) expenditures	$ (400,000)	$ 32,439	$ 432,439
Fund Balances, Beginning	400,000	705,748	305,748
Fund Balances, Ending	-	$738,187	$ 738,187

SEWARD COUNTY, KANSAS

Schedule 4-6

ROAD AND BRIDGE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2013

	Original & Final Budget	Actual	Variance Favorable (Unfavor.)
Revenues			
Taxes:			
Ad valorem property tax	$1,289,339	$1,236,413	$ (52,926)
Delinquent tax	15,000	15,554	554
Motor vehicle tax	61,824	59,144	(2,680)
State of Kansas – Gas tax	600,018	585,332	(14,686)
County equalization	24,000	24,620	620
Payment in lieu of taxes	-	2,313	2,313
Miscellaneous	-	32,000	32,000
Total revenue	$1,990,181	$1,955,376	$ (34,805)
Expenditures			
Transportation:			
Personal services	$ 640,000	$ 612,208	$ 27,792
Contractual services	190,000	97,019	92,981
Commodities	885,000	592,994	292,006
Capital outlay	-	4,296	(4,296)
Transfers – Special Highway and Equipment Funds	400,000	400,000	-
Total expenditures	$2,115,000	$1,706,517	$408,483
Revenue over (under) expenditures	$ (124,819)	$ 248,859	$373,678
Fund Balances, Beginning	124,819	172,539	47,720
Fund Balances, Ending	-	$ 421,398	$421,398

SEWARD COUNTY, KANSAS

Schedule 4-7

SPECIAL PARK FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2013

	Original & Final Budget	Actual	Variance Favorable (Unfavor.)
Revenues			
State of Kansas	$ 3,500	$ 3,786	$ 286
Expenditures			
Public Safety:			
Contractual services	5,100	5,100	-
Revenue over (under) expenditures	$ (1,600)	$ (1,314)	$ 286
Fund Balances, Beginning	1,600	2,470	870
Fund Balances, Ending	-	$ 1,156	$ 1,156

SEWARD COUNTY, KANSAS

Schedule 4-8

SPECIAL ALCOHOLIC TREATMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2013

	Original & Final Budget	Actual	Variance Favorable (Unfavor.)
Revenues			
State of Kansas	$ 3,500	$ 3,786	$ 286
Expenditures			
Public Safety:			
Contractual services	5,100	5,100	-
Revenue over (under) expenditures	$ (1,600)	$ (1,314)	$ 286
Fund Balances, Beginning	1,600	2,470	870
Fund Balances, Ending	-	$ 1,156	$ 1,156

SEWARD COUNTY, KANSAS

Schedule 4-9

911 TELEPHONE SYSTEM FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2013

	Original & Final Budget	Actual	Variance Favorable (Unfavor.)
Revenues			
Charges for Services:			
911 tax	$ 100,000	$113,212	$ 13,212
Expenditures			
Public Safety:			
Capital outlay	425,000	54,084	370,916
Revenue over (under) expenditures	$ (325,000)	$ 59,128	$384,128
Fund Balances, Beginning	325,000	315,288	(9,712)
Fund Balances, Ending	-	$374,416	$374,416

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Seward County Commissioners
Liberal, Kansas 67901

Report on Compliance for Each Major Federal Program

We have audited Seward County, Kansas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Seward County's major federal programs for the year ended December 31, 2013. Seward County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Seward County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the *Kansas Municipal Audit and Accounting Guide*; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Seward County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Seward County's compliance.

Opinion on Each Major Federal Program

In our opinion, Seward County, Kansas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-1 and 2013-2. Our opinion on each major federal program is not modified with respect to these matters.

Seward County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Seward County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Seward County, Kansas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Seward County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Seward County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-1 and 2013-2 that we consider to be material weaknesses.

Seward County's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Seward County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hay•Rice & Associates, Chartered

August 22, 2014

SEWARD COUNTY, KANSAS

Schedule 5

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2013

Federal Grantor/Pass-Through Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture Passed Through			
Kansas Department of Health and Environment:			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	WIC 10.557	$252,644
WIC Grants to States	10.578	WIC 10.578	14,622
U.S. Department of Health and Human Services Passed Through			
Kansas Department of Health and Environment:			
Child Care and Development Block Grant	93.575	CCL 93.575	10,533
Family Planning Services	93.217	FP 93.217	33,738
Public Health Emergency Preparedness and Response	93.069	BIO 93.069	30,890
Maternal and Child Health Services	93.994	MCH 93.994	25,405
Immunization Grants	93.268	IMM 93.268	18,244
Injury Prevention and Control	93.136	IP 93.136	2,150
U.S. Department of Homeland Security Passed Through			
Kansas Division of Emergency Management:			
Emergency Management Performance Grant	97.042	EMPG 2013	82,882
U.S. Department of Housing and Urban Development Passed Through			
Kansas Housing Resources Corporation:			
Emergency Shelter Grant	14.231	ESG-FFY2013	63,928
Total Expenditures of Federal Awards			$535,036

SEWARD COUNTY, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2013

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Seward County, Kansas and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Note B: Subrecipient Grant Agreement

Seward County, Kansas provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided
Emergency Shelter Grant	14.231	$63,928

Note C: Noncash Assistance and Cumulative Endowment Funds

Seward County, Kansas received no federal noncash assistance and no cumulative endowment funds for the year ended December 31, 2013.

Note D: Federal Loan or Loan Guarantee Programs

For the year 2013, there were no loans or loan guarantees outstanding at year end.

Note E: There was no interest subsidy received by Seward County, Kansas under a federal loan or loan guarantee program.

SEWARD COUNTY, KANSAS

Schedule 6

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended December 31, 2013

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion.

2. The following significant deficiencies in internal control disclosed by the audit of the financial statements were considered material weaknesses:

   Financial Statement Presentation – Seward County has neither the qualified personnel, nor the time needed to prepare financial statements in accordance with generally accepted accounting principles, and have relied upon the audit firm to assist in the preparation.

   Purchase Order System – No purchase order system is in place. This contributes to the failure to maintain encumbrance records per KSA 10-1117.

3. No instances of noncompliance material to the financial statements of Seward County, Kansas were disclosed during the audit.

4. The following significant deficiencies relating to the audit of the major federal awards were considered material weaknesses:

   Financial Statement Presentation – Seward County has neither the qualified personnel, nor the time needed to prepare financial statements in accordance with generally accepted accounting principles, and have relied upon the audit firm to assist in the preparation.

   Purchase Order System – No purchase order system is in place. This contributes to the failure to maintain encumbrance records per KSA 10-1117.

5. The auditor's report on compliance for the major federal award programs for Seward County, Kansas expresses an unqualified opinion.

6. There were audit findings relative to the major federal award programs for Seward County, Kansas as reported in Part C. of this schedule.

7. The programs tested as major programs include:
   Special Supplemental Nutrition Program for Women, Infants & Children CFDA #10.577
   Emergency Management Performance Grant CFDA #97.042

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended December 31, 2013

A. SUMMARY OF AUDIT RESULTS (Continued)

8. The threshold for determining type A and B programs was:
   Type A – the larger of $300,000 or 3% of total federal awards expended

   Type B – any programs that do not meet type A criteria specified above

9. Seward County, Kansas was determined not to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS

Reportable Condition

2013-1. Financial Statement Presentation – Seward County has neither the qualified personnel, nor the time needed to prepare financial statements in accordance with generally accepted accounting principles, and have relied upon the audit firm to assist in the preparation.

2013-2. Purchase Order System – No purchase order system is in place. This contributes to the failure to maintain encumbrance records per KSA 10-1117.

Recommendation

Hire staff who are capable of preparing and understanding financial statements.

Implement a purchase order system in order to track budget and encumbrance records.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No purchase order system is in place. This contributes to the failure to maintain encumbrance records per KSA 10-1117.

SEWARD COUNTY, KANSAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended December 31, 2013

Finding 2011-1: Financial Statement Presentation

Condition: This finding was a material weakness stating that the County has neither the qualified personnel, nor the time needed to prepare financial statements in accordance with generally accepted accounting principles.

Recommendation: The auditor recommended hiring staff who are capable of preparing and understanding the financial statements.

Current Status: The recommendation was not adopted, and a similar finding is noted in the 2013 audit.

Finding 2011-2: Purchase Order System

Condition: This finding was a material weakness stating that no purchase order system is in place, contributing to the failure to maintain encumbrance records per KSA 10-1117.

Recommendation: The auditor recommended implementing a purchase order system.

Current Status: The recommendation was not adopted, and a similar finding is noted in the 2013 audit.