

**RENO COUNTY EXTENSION COUNCIL  
SOUTH HUTCHINSON, KS**

**FINANCIAL STATEMENTS**

**WITH**

**SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDING DECEMBER 31, 2017  
(WITH SUMMARIZED FINANCIAL INFORMATION  
FOR DECEMBER 31, 2016)**

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**RENO COUNTY EXTENSION COUNCIL**

**December 31, 2017**

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## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Reno County Extension Council, as of and for the year ended December 31, 2017 and the related notes to the financial statement.

### *Management's Responsibility for the Financial Statement*

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 2 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

### *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles*

As described in Note 2 of the financial statement, the financial statement is prepared by the Reno County Extension Council to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### *Adverse Opinion on U.S. Generally Accepted Accounting Principles*

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Reno County Extension Council as December 31, 2017, or changes in financial position and cash flows thereof for the year then ended.

### *Unmodified Opinion on Regulatory Basis of Accounting*

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balances of the Reno County Extension Council as December 31, 2017, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 2.

*Report on Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1, and 2) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 2.

The 2016 Actual column presented in the individual fund schedule of regulatory basis receipts and expenditures - actual and budget (Schedule 2 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2016 basic financial statement upon which we rendered an unmodified opinion dated February 21, 2018. The 2016 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the website of the Kansas Department of Administration at the following link <http://da.ks.gov/ar/muniserv/>. Such 2016 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2016 basic financial statement. The 2016 comparative information was subjected to the auditing procedures applied in the audit of the 2016 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2016 basic financial statement or the 2016 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2016 comparative information is fairly stated in all material respects in relation to the 2016 basic financial statement as a whole, on the basis of accounting described in Note 2.

Daniel L. Drake, CPA, P.A.

April 30, 2019

**RENO COUNTY EXTENSION COUNCIL**  
**South Hutchinson, Kansas**  
**Summary Statement of Cash Receipts, Expenditures, and Unencumbered Cash- Regulatory Basis**  
**For the Year Ended December 31, 2017**

<b>Funds</b>	<u>Beginning</u>			<u>Ending</u>	<u>Add</u>	<u>Ending</u>
<b>Governmental Type</b>	<u>Cash Balance</u>	<u>Cash</u>	<u>Expenditures</u>	<u>Cash Balance</u>	<u>Encumbrances</u>	<u>Cash</u>
<b>Funds:</b>		<u>Receipts</u>			<u>and Accounts</u>	<u>Balance</u>
					<u>Payable</u>	
General Fund	\$ 131,970	\$ 431,493	\$ 450,980	\$ 112,483	\$ 416	\$ 112,899
<b>Total Reporting Entity</b>	<u>\$ 131,970</u>	<u>\$ 431,493</u>	<u>\$ 450,980</u>	<u>\$ 112,483</u>	<u>\$ 416</u>	<u>\$ 112,899</u>
 <b>Composition of Cash:</b>						
Cash on hand						\$ 50
Checking Accounts						12,223
Savings						<u>100,626</u>
<b>Total Composition of Cash</b>						<u>\$ 112,899</u>

See Independent Auditor's Report  
The accompanying notes are an integral part of these financial statements.

**RENO COUNTY EXTENSION COUNCIL**  
**South Hutchinson, Kansas**  
**NOTES TO FINANCIAL STATEMENT**  
**December 31, 2017**

**Note 1. Municipal Financial Reporting Entity**

Reno County Extension Council (the Council) is a related municipal entity of Reno County. The Council provides services in such areas as agriculture, home economics, and 4-H clubs, to all persons in Reno County. The Council is an elected nine-member executive board. Reno County annually provides significant operating subsidies to the Council.

**Note 2. Summary of Significant Accounting Policies**

**Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America**

The Kansas Municipal Audit and Accounting Guide (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The Council has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Council to use the regulatory basis of accounting.

**Regulatory Basis Fund Types**

The following categories of funds comprise the financial activities of the Council for the year ended December 31, 2017:

General Fund - The chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

**Budgetary Information**

Applicable Kansas statutes require that budgets be legally adopted for all funds unless exempted by a specific statute. The Council is not a tax-levying authority and is not required to publish its annual budget or hold public budget hearings under Kansas statutes. K.S.A. 2-610 does require that the Council submit the following to the county commission, in the office of the county clerk by July 15:

1. List of the current council and board members.
2. Certification of election of officers.
3. Certification by the director of K-State Research and Extension that the council is properly functioning and entitled to receive the appropriations provided by law.
4. A proposed budget prepared in cooperation with the authorized representative of the director of Kansas State Research and Extension.

**Agreement with Kansas State University**

Pursuant to the Memorandum of Understanding between Kansas State University College of Agriculture and Applied Science and the Reno County Extension Council, the University pays for a portion of extension agents' salaries, payroll taxes, and extension agent benefits. The University bills the remainder to the Council on a monthly basis. The extension agents are considered employees of the University for all payroll reporting purposes. The understanding also requires the Council to prepare and submit monthly financial statements to the University for review.

**Note 3. Deposits and Investments**

K.S.A. 9-1401 establishes the depositories which may be used by the Council. The statute requires banks eligible to hold the Council's funds have a main or branch bank in the county in which the Council is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Council has no other policies that would further limit interest rate risk.

**RENO COUNTY EXTENSION COUNCIL**  
**South Hutchinson, Kansas**  
**NOTES TO FINANCIAL STATEMENT**  
**December 31, 2017**

**Note 3. Deposits and Investments (continued)**

K.S.A. 12-1675 limits the Council'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. The Council has no investment policy that would further limit its investment choices. The Council had no investments in 2017.

Concentration of Credit Risk: State statutes place no limit on the amount the Council may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk - Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Council's deposits may not be returned to it. State statutes require the Council's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Council has not designated a "peak period". All deposits were legally secured at December 31, 2017.

Deposits: At December 31, 2017, the Council's carrying amount of deposits was \$112,849 and the bank balance was \$179,228. The bank balance was held by one bank resulting in a concentration of credit risk. The entire bank balance was covered by federal depository insurance.

**Note 4. Defined Benefit Pension Plan**

Plan Description: The Council participates in the Kansas Public Employees Retirement System (KPERS). KPERS is part of a cost-sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, etc. seq. . KPERS provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is KPERS 1, KPERS 2, or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate with a 0% moratorium from the period of January 1, 2017 through September 30, 2017 for the Death and Disability Program) and the statutory contribution rate was 8.46% for the fiscal year ended December 31, 2017. Contributions to the pension plan from Reno County Extension Council were \$4,557 for the year ended December 31, 2017.

**Net Pension Liability**

At December 31, 2017, the Reno County Extension Council's proportionate share of the collective net pension liability reported by KPERS was \$42,120. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018. The Reno County Extension Council proportion of the net pension liability was based on the ratio of the Reno County Extension Council's contribution to KPERS, relative to the total employer and non-employer contributions of the Local subgroup with KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at [www.kpers.org](http://www.kpers.org) or can be obtained as described above.

**RENO COUNTY EXTENSION COUNCIL**  
**South Hutchinson, Kansas**  
**NOTES TO FINANCIAL STATEMENT**  
**December 31, 2017**

**Note 5. Other Post Employment Benefits**

As provided by K.S.A. 12-5040, the Council allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Council is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Council makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

**Note 6. Subsequent Events**

Management evaluated the effects of subsequent events on the financial statements through April 30, 2019 the date the financial statements were available to be issued.

**Note 7. Compensated Absences**

The Council's policy regarding annual leave allows employees to accumulated leave time based on the years of continuous service as follows:

<u>Years of Continuous Service</u>	<u>Leave Days Accrued</u>	<u>Maximum Accrual</u>
0 to 5 years	1.17 days/mo	31.25 days
6 years	1.25 days/mo	31.25 days
7 years	1.33 days/mo	31.25 days
8 years	1.42 days/mo	31.25 days
9 years	1.50 days/mo	31.25 days
10 years	1.58 days/mo	34.37 days
11-14 years	1.67 days/mo	34.37 days
15+ years	1.83 days/mo	34.37 days

Annual leave is earned by month. Upon termination of employment, an employee is entitled to be paid for unused accrued leave time.



**REGULATORY-REQUIRED  
SUPPLEMENTARY INFORMATION**

**RENO COUNTY EXTENSION COUNCIL**  
**South Hutchinson, Kansas**  
**Summary of Expenditures - Actual and Budget - Regulatory Basis**  
**For the Year Ended December 31, 2017**

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current year</u>	<u>Variance-Over (Under)</u>
General Fund	\$ 516,862	\$ -	\$ 516,862	\$ 450,980	\$ (65,882)

See Independent Auditor's Report

## RENO COUNTY EXTENSION COUNCIL

South Hutchinson, Kansas

General Fund

## Schedule of Receipts and Expenditures - Actual and Budget - Regulatory Basis

For the Year Ended December 31, 2017

	2016 Actual	2017		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes and Shared Revenue	\$ 330,000	\$ 330,000	\$ 330,000	\$ -
Kansas State University Educational Services Reimbursements	72,762	65,908	71,214	(5,306)
Interest & Other	40,385	35,264	40,000	(4,736)
	<u>23</u>	<u>321</u>	<u>233</u>	<u>88</u>
<b>Total Receipts</b>	<u>443,170</u>	<u>431,493</u>	<u>\$ 441,447</u>	<u>\$ (9,954)</u>
<b>Expenditures</b>				
Printing and Audit	6,365	5,813	\$ 5,800	\$ 13
Telephone	3,980	5,157	5,800	(643)
Rent	-	200	-	200
Supplies and Postage	16,920	21,066	16,000	5,066
Equipment and Automobile	1,809	6,900	4,000	2,900
Miscellaneous	9,878	7,694	11,200	(3,506)
Travel	6,434	5,204	8,000	(2,796)
Subsistence	1,976	829	3,000	(2,171)
Salaries	317,027	287,207	311,502	(24,295)
Employer Contribution	70,453	67,188	71,560	(4,372)
Educational Services	29,900	43,722	40,000	3,722
Capital Outlay	-	-	40,000	(40,000)
<b>Total Expenditures</b>	<u>464,742</u>	<u>450,980</u>	<u>\$ 516,862</u>	<u>\$ (65,882)</u>
<b>Receipts Over (Under) Expenditures</b>	(21,572)	(19,487)		
<b>Unencumbered Cash, Beginning</b>	<u>153,542</u>	<u>131,970</u>		
<b>Unencumbered Cash, Ending</b>	<u>\$ 131,970</u>	<u>\$ 112,483</u>		

See Independent Auditor's Report