

**Riley County Extension Council  
Manhattan, Kansas**

**Financial Statement  
December 31, 2017**

**Riley County Extension Council  
Manhattan, Kansas**

**Table of Contents**

	<u>Page</u>
<b>Independent Auditor's Report</b>	1 - 2
<b>Financial Statement</b>	
Statement 1	
Summary Statement of Receipts, Expenditures and Unencumbered Cash	3
Notes to the Financial Statement	4 - 7
<b>Regulatory Required Supplementary Information</b>	
Schedule 1	
Summary of Expenditures - Actual and Budget	8
Schedule 2	
Schedule of Receipts and Expenditures - Actual and Budget	9



## INDEPENDENT AUDITOR'S REPORT

To the Executive Board of the  
Riley County Extension Council

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Riley County Extension Council (the 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 (KMAAG) as described in Note 1; 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 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 auditing standards generally accepted in the United States of America, and the KMAAG. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from 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 the auditor's judgment, 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 1 of the financial statement, the financial statement is prepared by the Council on the basis of the financial reporting provisions of the KMAAG, 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 1 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 Council as of 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 balance of the Council as of December 31, 2017, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the KMAAG described in Note 1.

### **Other Matters**

#### *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 and the schedule of regulatory basis receipts and expenditures – actual and budget (Schedules 1 & 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 KMAAG. 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 1.

*James Gordon & Associates CPA, P.A.*  
James Gordon & Associates CPA, P.A.  
Manhattan, Kansas  
August 30, 2018



Riley County Extension Council  
Manhattan, Kansas

Statement 1

Summary Statement of Receipts, Expenditures and Unencumbered Cash  
Regulatory Basis  
For the Year Ended December 31, 2017

	<u>General Fund</u>
<b>Beginning Unencumbered Cash Balance</b>	\$ 266,865
Receipts	717,598
Expenditures	<u>699,235</u>
<b>Ending Unencumbered Cash Balance</b>	285,228
Add Encumbrances and Accounts Payable	<u>-</u>
<b>Ending Cash Balance</b>	<u><u>\$ 285,228</u></u>
<b>Composition of Cash</b>	
Checking Account	\$ 285,128
Petty Cash	<u>100</u>
<b>Total Cash</b>	<u><u>\$ 285,228</u></u>

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

**Riley County Extension Council  
Manhattan, Kansas**

**Notes to the Financial Statement  
For the Year Ended December 31, 2017**

**Note 1 – Summary of Significant Accounting Policies**

**A. Municipal Financial Reporting Entity**

The Riley County Extension Council (the Council) provides services in such areas as agriculture, home economics, youth development, family life, business and economics, and healthy living, to all persons in Riley County. The Council is governed by a nine-member executive board elected by the 24 publicly elected members of the Council. Riley County annually provides significant operating subsidies to the Council. Kansas State University (the University) provides the Council non-cash receipts and disbursements related to salaries for operations of the Council. Those non-cash receipts and disbursements are reflected as cash in and cash out for the regulatory basis reporting purposes.

**B. Regulatory Basis Fund Type**

The following fund was utilized in recording the financial activities of the Council for 2017.

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

**C. Basis of Accounting**

*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, non-cash in-kind salaries from the University for the Council's professional staff, 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. 75-1120(a)(c), waiving the requirement for application of generally accepted accounting principles and allowing the Council to use the regulatory basis of accounting.

**Riley County Extension Council  
Manhattan, Kansas**

**Notes to the Financial Statement  
For the Year Ended December 31, 2017**

**Note 2 – Budgetary Information**

K.S.A. 2-610(a)(4) requires that the Council file with the County Commissioners in the office of the County Clerk a proposed budget prepared in cooperation with the Director of Extension of the Kansas State University of Agriculture and Applied Science for the ensuing calendar year.

**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.

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.

*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 percent. There were no designated "peak periods" during the year. All bank deposits were legally secured at December 31, 2017.

At December 31, 2017, the Council's carrying amount of deposits was \$285,128 and the bank balance was \$319,138. The difference between the carrying amount and bank balance was outstanding checks and deposits. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance \$250,000 was covered by FDIC insurance, and \$69,138 was collateralized with securities held by the pledging financial institution's agents in the Council's name.

**Riley County Extension Council  
Manhattan, Kansas**

**Notes to the Financial Statement  
For the Year Ended December 31, 2017**

**Note 4 – Salary Funding**

The University supports the Council by funding a portion of the professional staff salaries, payroll taxes, and benefits. The value of the University's funding for professionals staffing was \$65,996 for the year ended December 31, 2017. Professional staff of the Council are on the University's payroll and received University's employee benefits. The Council reimburses the University for salaries, payroll taxes, and benefits not funded by the University. The reimbursement for salaries and employee benefits paid to the University was \$242,100 and \$51,110, respectively, in 2017.

**Note 5 – Compensated Absences**

Vacation leave is earned at a rate of one day per month throughout the first five years of employment, one and one-half days per month throughout the second five years of employment and one and three-fourths days per month thereafter.

Sick leave is earned at a rate of one day per month. Sick leave is not compensated for upon termination of employment or voluntary separation by the employee. Sick leave is payable upon retirement dependent upon minimum years of service requirement being met. Accrued vacation leave and compensation time as of December 31, 2017 was \$19,846.

**Note 6 – Defined Benefit Pension Plan**

*Plan Description.* The Council participates in the Kansas Public Employees Retirement System (KPERS), a cost sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at [www.kpers.org](http://www.kpers.org) or by writing to KPERS (611 S. Kansas, Suite 100, Topeka, Kansas 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 a 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.



**Riley County Extension Council  
Manhattan, Kansas**

**Notes to the Financial Statement  
For the Year Ended December 31, 2017**

**Note 6 – Defined Benefit Pension Plan (continued)**

State law provides that the employer contribution rates for KPERS 1 and 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 contribution rate for Death and Disability Program) and the statutory contribution rate was 9.46% for the fiscal year ended December 31, 2017. Contributions to the pension plan from the Council were \$11,946 for the year ended December 31, 2017.

*Net Pension Liability.* At December 31, 2017, the Council's proportionate share of the collective net pension liability reported by KPERS was \$111,357. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. The Council's proportion of the net pension liability was based on the ratio of the Council's contributions to KPERS, relative to the total employer and nonemployer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

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. The actuarial valuation report for December 31, 2017 is not available at the date of this audit report.

**Note 7 – Risk Management**

The Council continues to carry commercial insurance to limit its exposure to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 8 – Related Party Transactions**

The Council was appropriated \$559,761 by Riley County, Kansas for the year ended December 31, 2017. Of this appropriation, \$559,761 was received during 2017.

**Note 9 – Evaluation of Subsequent Events**

The Council has evaluated events and transactions for potential recognition or disclosure through the date of the independent auditor's report, the date which the financial statement was available to be issued.

**Regulatory Required  
Supplementary Information**

Riley County Extension Council  
Manhattan, Kansas

Schedule 1

Summary of Expenditures – Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2017

	<u>General Fund</u>
Certified Budget	\$ 806,391
Adjustments for Qualifying Budget Credits	<u>-</u>
Total Budget for Comparison	806,391
Expenditures Chargeable to Current Year	<u>699,235</u>
Variance - Over (Under)	<u>\$ (107,156)</u>

See independent auditor's report on regulatory required supplementary information.

**Riley County Extension Council  
Manhattan, Kansas**

**Schedule 2**

**Schedule of Receipts and Expenditures – Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2017**

	<b>Actual</b>	<b>Budget</b>	<b>Variance - Over (Under)</b>
<b>Receipts</b>			
County Tax Appropriation	\$ 559,761	\$ 559,761	\$ -
Kansas State University Salaries, In-Kind	65,996	70,500	(4,504)
Educational Services Program Fees	60,623	100,000	(39,377)
Interest on Idle Funds	174	130	44
Fairboard	31,000	31,000	-
Miscellaneous	44	-	44
<b>Total Receipts</b>	<b>717,598</b>	<b>\$ 761,391</b>	<b>\$ (43,793)</b>
<b>Expenditures</b>			
Salaries	449,411	\$ 489,291	\$ (39,880)
Employer's Contribution	108,736	136,000	(27,264)
Travel	9,266	9,500	(234)
Printing, Audit, Bonds, and Insurance	7,029	7,500	(471)
Telephone	3,640	4,000	(360)
Supplies, Stationery, and Postage	6,103	10,000	(3,897)
Subsistence	6,056	3,000	3,056
Educational Services Program Expense	57,043	100,000	(42,957)
Equipment	17,175	12,000	5,175
Miscellaneous	12,979	10,000	2,979
Utilities	-	100	(100)
Capital Outlay	21,797	25,000	(3,203)
<b>Total Expenditures</b>	<b>699,235</b>	<b>\$ 806,391</b>	<b>\$ (107,156)</b>
<b>Receipts Over (Under) Expenditures</b>	18,363		
<b>Unencumbered Cash - Beginning of Year</b>	266,865		
<b>Unencumbered Cash - End of Year</b>	<b>\$ 285,228</b>		

See independent auditor's report on regulatory required supplementary information.