

**FRONTIER EXTENSION DISTRICT #11**

Lyndon, Kansas

FINANCIAL STATEMENT

WITH

REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2017

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

**FRONTIER EXTENSION DISTRICT #11**

**FINANCIAL STATEMENT  
WITH  
REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION  
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## INDEPENDENT AUDITOR'S REPORT

To the Board  
Frontier Extension District #11  
Lyndon, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Frontier Extension District #11, 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; 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 auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that 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 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 2 of the financial statement, the financial statement is prepared by the Frontier Extension District #11 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 Frontier Extension District #11, 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 Frontier Extension District #11, 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 *Kansas Municipal Audit and Accounting Guide* described in Note 2.

#### *Other Matters*

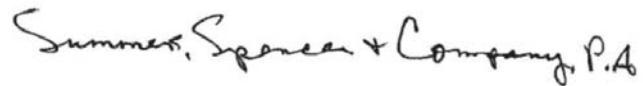
##### *Supplementary Information*

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 individual fund schedule of regulatory basis receipts and expenditures - actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for purposes of additional 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 schedules of regulatory basis receipts and expenditures - actual and budget (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement.

Frontier Extension District #11’s basic financial statement for the year ended December 31, 2016 (not presented herein), was audited by Clubine & Rettele, Chartered who merged with Summers, Spencer & Company, P.A. as of November 1, 2017, and whose report dated August 23, 2017, expressed an unmodified opinion on the basic financial statement. The 2016 basic financial statement and the other auditor’s report are available in electronic form from the website of the Kansas Department of Administration at the following link <http://www.admin.ks.gov/offices/chief-financial-officer/municipal-services>.

The report of the other auditors dated August 23, 2017, stated that the individual schedules of regulatory basis receipts and expenditures - actual and budget for the year ended December 31, 2016 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 to the 2016 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in their opinion, was fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2016, on the basis of accounting described in Note 2.

A handwritten signature in cursive script that reads "Summers, Spencer & Company, P.A."

Summers, Spencer & Company, P.A.

Salina, Kansas

November 14, 2018

**FRONTIER EXTENSION DISTRICT #11**

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

**Statement 1**

Fund	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
General Fund	\$ 214,132	\$ -	\$ 914,379	\$ 872,770	\$ 255,741	\$ -	\$ 255,741

Composition of Cash:	
Checking Account	\$ 75,637
Savings Accounts	180,104
Total Composition of Cash	<u>\$ 255,741</u>

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

## FRONTIER EXTENSION DISTRICT #11

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

#### Note 1 – Reporting Entity

The Frontier Extension District #11 is a sub-division of Franklin, Osage, and Anderson County Extension Councils and the Research and Extension Department of Kansas State University, formed under K.S.A. 2-623 through 2-628. The District was formed on July 1, 2010, under an operational agreement to combine the extension programs for each county into one extension program. On July 1, 2014, the board voted to add Anderson County to the District. The District is governed by an elected twelve-member executive board.

#### Note 2 – Summary of Significant Account 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 revenues 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 District 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 District to use the regulatory basis of accounting.

*Fund Descriptions.* The following types of funds comprise the financial activities of the District 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.

*Salaries.* Pursuant to the Memorandum of Understanding between Kansas State University College of Agriculture and Applied Science, and Franklin, Osage, and Anderson counties, the University pays for a portion of the extension agent's salaries, payroll taxes, and benefits and bills the remainder to the District on a monthly basis. The extension agents are considered employees of the University for all payroll reporting purposes.

The District prepares monthly financial statements and submits them to the University for their review. The monthly statements report the total extension agent salaries as an expenditure and includes the portion paid by the University as a receipt. The value of the non-cash receipts from Kansas State University for salaries in 2017 was \$117,232.

#### Note 3 – Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

## FRONTIER EXTENSION DISTRICT #11

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

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 a least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25<sup>th</sup>.

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. There were no such budget amendments for this year.

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 statements 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 regulatory basis of accounting, in which regulatory receipts 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 District 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.

#### **Note 4 – Deposits and Investments**

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

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

*Concentration of credit risk.* State statutes place no limit on the amount the District 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 District's deposits may not be returned to it. State statutes require the District'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 District, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The District has not designated a "peak period." All deposits were legally secured at December 31, 2017.



## FRONTIER EXTENSION DISTRICT #11

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

*Deposits.* At December 31, 2017, the District's carrying amount of deposits was \$255,741 and the bank balance was \$342,468. The bank balance was held by three banks resulting in a concentration of credit risk. All deposits were covered by federal depository insurance at December 31, 2017.

#### **Note 5 – Defined Benefit Pension Plan**

##### General Information about the Pension Plan

*Plan Description.* The District 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. KPERS provides 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. 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, 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 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.

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 statutory contribution rate was 8.46% for the fiscal year ended December 31, 2017. Contributions to the pension plan from Frontier Extension District #11 was \$16,273 for the year ended December 31, 2017.

##### Net Pension Liability

At December 31, 2017, Frontier Extension District #11's proportionate share of the collective net pension liability reported by KPERS was \$158,864. 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. Frontier Extension District #11's proportion of the net pension liability was based on the ratio of Frontier Extension District #11's contributions to KPERS, relative to the total employer and non-employer 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.

**FRONTIER EXTENSION DISTRICT #11**

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

**Note 6 – Other Post-Employment Benefits**

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District 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 District under this program.

**Note 7 – Compensated Absences**

The District provides compensation for absences. Full time employees working 33-40 hours per week earn annual leave at the rate listed below:

Length of Service	Hours Earned/Pay Period	Maximum Accumulation	Maximum Pay Out
0 years to < 5 years	8 hours/month	240 hours	96 hours
5 years to < 10 years	10 hours/month	240 hours	120 hours
10 years to < 15 years	12 hours/month	240 hours	144 hours
15 years and over	15 hours/month	240 hours	180 hours

Part time employees working 20-32 hours per week earn annual leave at one-half the full time rate shown in the above chart. Part time employees working less than 20 hours per week are not eligible for annual leave.

Each full time employee earns 8 hours of sick leave per month. Part time employees working 20-32 hours per week earn sick-leave at one-half the full time employees' rate. Part time employees working less than 20 hours per week are not eligible for sick leave. Employees that are eligible for KPERS retirement will be compensated for their accumulated sick leave when they become eligible for retirement. Compensation will be paid for 20 working days, at the employees current pay rate, if the employee has accumulated 500 hours of sick leave.

**Note 8 – Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance to protect itself from these risks of loss.

**Note 9 – Subsequent Events**

The District's management has evaluated events and transactions occurring after December 31, 2017 through November 14, 2018. The aforementioned date represents the date the financial statement was available to be issued.

**FRONTIER EXTENSION DISTRICT #11**

**REGULATORY – REQUIRED  
SUPPLEMENTARY INFORMATION  
December 31, 2017**

**FRONTIER EXTENSION DISTRICT #11**

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

Schedule 1

<u>Fund</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	\$ 1,014,000	\$ -	\$ 1,014,000	\$ 872,770	\$ (141,230)

**FRONTIER EXTENSION DISTRICT #11**

**Summary of Receipts and Expenditures – Actual and Budget (Regulatory Basis)  
For the Year Ended December 31, 2017  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)**

Schedule 2

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
<b>Taxes and Shared Revenue</b>				
Ad Valorem Tax	\$ 639,232	\$ 674,859	\$ 663,623	\$ 11,236
Delinquent Tax	11,232	10,663	-	10,663
Motor Vehicle Tax	51,560	73,389	70,169	3,220
Recreational Vehicle Tax	979	1,431	1,397	34
16/20M Vehicle Tax	942	756	2,791	(2,035)
Commercial Vehicle Tax	2,807	2,758	3,056	(298)
Watercraft Tax	321	331	790	(459)
Kansas State University	121,261	117,232	122,330	(5,098)
Interest	161	124	200	(76)
Educational Services Reimbursements	31,826	32,743	60,000	(27,257)
Other	-	93	-	93
<b>Total Cash Receipts</b>	<u>860,321</u>	<u>914,379</u>	<u>\$ 924,356</u>	<u>\$ (9,977)</u>
<b>Expenditures</b>				
Audit, Bond, Insurance, Legal Fees	11,578	10,515	\$ 16,000	\$ (5,485)
Telephone	12,509	12,995	13,500	(505)
Rent and Utilities	28,935	28,935	29,500	(565)
Supplies, Stationery, and Postage	10,912	12,145	15,000	(2,855)
Equipment Repairs and Maintenance	12,814	7,881	50,000	(42,119)
Education Program Support	15,108	13,982	15,000	(1,018)
Travel	23,548	22,596	30,000	(7,404)
Subsistence	6,254	7,318	10,000	(2,682)
Salaries and Wages	596,291	602,970	625,000	(22,030)
Employer Contribution Benefits and Taxes	82,895	85,831	91,000	(5,169)
Capital Outlay	36,340	43,837	59,000	(15,163)
Reimbursements	22,612	23,765	60,000	(36,235)
<b>Total Expenditures</b>	<u>859,796</u>	<u>872,770</u>	<u>\$ 1,014,000</u>	<u>\$ (141,230)</u>
Receipts Over (Under) Expenditures	525	41,609		
Unencumbered Cash, Beginning	<u>213,607</u>	<u>214,132</u>		
Unencumbered Cash, Ending	<u>\$ 214,132</u>	<u>\$ 255,741</u>		