# WALNUT CREEK EXTENSION DISTRICT NO. 2

Financial Statements With Independent Auditors' Report

For the Year Ended December 31, 2009

**WALNUT CREEK EXTENSION DISTRICT NO. 2**
Financial Statements With Independent Auditors' Report
For the Year Ended December 31, 2009

## TABLE OF CONTENTS


Independent Auditors' Report ..... 1

Statement 1 - Summary of Cash Receipts, Expenditures, and Unencumbered Cash ..... 2

Statement 2 - Summary of Expenditures – Actual and Budget ..... 3

Statement 3 - Statement of Cash Receipts and Expenditures – Actual and Budget

**Governmental Fund Category**
**General Fund**
3-1 General Fund ..... 4

Notes to Financial Statements ..... 5

ADAMS
BROWN
BERAN
& BALL

Phone (785)628-3046 ■ Fax (785)628-3089 ■ www.abbb.com
Commerce Bank Building ■ 718 Main ■ Suite 224
P.O. Box 1186 ■ Hays, Kansas 67601

Certified
Public
Accountants

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors
**Walnut Creek Extension District No. 2**
Dighton, Kansas

We have audited the accompanying financial statements of **Walnut Creek Extension District No. 2,** as of and for the year ended December 31, 2009, as listed in the table of contents. These financial statements are the responsibility of **Walnut Creek Extension District No. 2's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the *Kansas Municipal Audit Guide* and auditing standards generally accepted in the United States of America. Those standards and the audit guide require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, **Walnut Creek Extension District No. 2** has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **Walnut Creek Extension District No. 2** as of December 31, 2009, or changes in financial position for the year then ended. Further, **Walnut Creek Extension District No. 2** has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of **Walnut Creek Extension District No. 2** as of December 31, 2009, and their respective cash receipts and disbursements, and budgetary results for the year then ended, on the basis of accounting described in Note 1.

Adams, Brown, Beran & Ball

**ADAMS, BROWN, BERAN & BALL, CHTD.**
Certified Public Accountants

September 10, 2010

**WALNUT CREEK EXTENSION DISTRICT NO. 2**
Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2009

| Fund | Beginning Unencumbered Cash Balance | Prior Year Cancelled Encumbrances | Cash Receipts | Expenditures | **Ending Unencumbered Cash Balance** | Add Outstanding Encumbrances and Accounts Payable | **Ending Cash Balance** |
|---|---|---|---|---|---|---|---|
| **Governmental Fund Category** | | | | | | | |
| General Fund | $ 157,152 | - | 446,745 | 387,098 | **216,799** | - | **216,799** |

| **Composition of Cash** | | |
|---|---|---|
| Checking Accounts | $ | **133,266** |
| Money Market Account | | **73,533** |
| Certificate of Deposit | | **10,000** |
| **Total Reporting Entity** | $ | **216,799** |

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

**WALNUT CREEK EXTENSION DISTRICT NO. 2**
Summary of Expenditures - Actual and Budget
For the Year Ended December 31, 2009

| Fund | | Certified Budget | Adjustment for Qualifying Budget Credits | Total Budget for Comparison | **Expenditures Chargeable to Current Year** | Variance Over (Under) |
|---|---|---|---|---|---|---|
| **Governmental Fund Category** | | | | | | |
| General Fund | $ | 525,300 | - | 525,300 | **387,098** | (138,202) |

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

**WALNUT CREEK EXTENSION DISTRICT NO. 2**
**General Fund**
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2009
(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

| | | Current Year | | |
|---|---|---|---|---|
| | Prior Year Actual | **Actual** | Budget | Variance Over (Under) |
| **Cash Receipts** | | | | |
| Taxes $ | 290,472 | **321,835** | 325,476 | (3,641) |
| Educational Services Reimbursements | 7,280 | **14,324** | 12,000 | 2,324 |
| Postage Reimbursement | 28,670 | **8,706** | 5,000 | 3,706 |
| KSU Research and Extension | 95,190 | **100,371** | 113,209 | (12,838) |
| Interest Investments | 1,783 | **1,509** | - | 1,509 |
| **Total Cash Receipts** | 423,395 | **446,745** | 455,685 | (8,940) |
| **Expenditures** | | | | |
| Salaries and Wages | 86,350 | **86,910** | 100,000 | (13,090) |
| KSU Extension Salary Reimbursement | 166,292 | **163,706** | 181,000 | (17,294) |
| Employee Benefits | 35,591 | **52,328** | 76,300 | (23,972) |
| Printing, Audit, and Insurance | 12,172 | **3,336** | 6,500 | (3,164) |
| Telephone | 6,619 | **8,244** | 9,000 | (756) |
| Rent, Heat and Lights | 5,021 | **6,793** | 10,000 | (3,207) |
| Supplies, Stationary and Postage | 20,997 | **21,564** | 20,000 | 1,564 |
| Equipment | 9,255 | **13,507** | 20,000 | (6,493) |
| Educational Services | 2,995 | **4,642** | 8,000 | (3,358) |
| Subsistence | 5,502 | **4,914** | 3,500 | 1,414 |
| Travel | 17,175 | **12,658** | 25,000 | (12,342) |
| Miscellaneous | 7,744 | **8,496** | 6,000 | 2,496 |
| Capital Outlay | 22,925 | **-** | 60,000 | (60,000) |
| **Total Expenditures** | 398,638 | **387,098** | 525,300 | (138,202) |
| **Cash Receipts Over Expenditures** | 24,757 | **59,647** | | |
| **Unencumbered Cash - Beginning** | 132,395 | **157,152** | | |
| **Unencumbered Cash - Ending** $ | 157,152 | **216,799** | | |

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Walnut Creek Extension District No. 2** has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

### Reporting Entity

**Walnut Creek Extension District No. 2**, is a municipal corporation governed by an elected board. The financial statements of the Extension District consist of all the funds of the Extension District and governmental entities that are considered to be controlled by or dependent on the Extension District. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. The Extension District has no such entities under its control.

**Walnut Creek Extension District No. 2**, is the primary government as defined in GASB #14 and further amended by GASB #39. The Board is elected by the public. The Board has the authority to make decisions, influence operations and has the primary accountability in fiscal matters.

### Use of Estimates

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the reported amount of unencumbered cash balances and accounts payable during the reporting period. Actual results could differ from those estimates.

### Basis of Presentation – Fund Accounting

The accounts of **Walnut Creek Extension District No. 2** are organized and operated on the basis of funds. In governmental accounting, a fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following fund category comprise of the financial activities of the **Walnut Creek Extension District No. 2** for the year ended December 31, 2009.

### Governmental Fund Category

**General Fund** - to account for and report all financial resources not accounted for or reported in other funds.

### Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

**Walnut Creek Extension District No. 2** 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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

the Extension District to use the statutory basis of accounting.

**Departure From Accounting Principles Generally Accepted in the United States of America**
The basis of accounting described above results in a financial statement presentation, which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the Extension District are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

**Budgetary Information**
Kansas statutes require that an annual operating budget be legally adopted for the general fund. 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 fiscal 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. There were no such amendments 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 statutory basis of accounting, in which, 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 Extension District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unused budget expenditure authority lapses at year-end.

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.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

K.S.A. 12-1675 limits the Extension District'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 Extension 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 Extension 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 Extension District's deposits may not be returned to it. State statutes require the Extension 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 City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Extension District does not use peak periods. All deposits were legally secured at December 31, 2009.

At December 31, 2009, the Extension District's carrying amount of deposits was $216,799 and the bank balance was $235,546. The bank balance was held by three banks resulting in a concentration of credit risk. The entire bank balance was covered by federal depository insurance.

Custodial Credit Risk – Investments
For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Extension District will not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The Extension District had no investments at December 31, 2009.

**Compensated Absences**
The Extension District has a formal sick leave and annual vacation leave policy for employees, which varies based on the employee's position and length of employment.

Annual vacation leave is earned by all full-time employees from the date of their employment. Full-time employees earn annual vacation leave as following:

| Employment Period | Annual Leave |
|---|---|
| Less than 5 years | 12 days |
| 5 – 10 years | 15 days |
| 10 or more years | 18 days |

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Up to 12 days of vacation leave time may be carried over from year to year. Unused annual vacation leave is paid upon resignation, termination or retirement of an employee. As of December 31, 2009 the maximum potential liability for accrued vacation is $2,087.

Full time employees earn 1 day per month of sick leave. Sick leave may be accrued up to 30 days. Unused sick leave is paid only upon retirement of an employee. As of December 31, 2009 the maximum potential liability for accrued sick leave is $5,159.

**Defined Benefit Pension Plan**
Plan Description
**Walnut Creek Extension District No. 2** contributes to 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. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100; Topeka, KS 66603-3869) or by calling 1-888-275-5737.

Funding Policy
K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% and 6% (if hired on or after July 1, 2009) of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by the statute for calendar year 2009 is 6.54%. **Walnut Creek Extension District No. 2's** employer contributions to KPERS for the years ending December 31, 2009, 2008, and 2007 were $4,729, $4,025, and $3,965, respectively.

**Other Post Employment Benefits**
As provided by K.S.A. 12-5040, the Extension District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Extension District 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 these financial statements.

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

**Deferred Compensation Plan**
**Walnut Creek Extension District No. 2,** sponsors a deferred compensation under the Internal Revenue Code Section 403(b). Permanent and part-time employees are eligible to participate under the plan. The employee is responsible for the amount of deferred compensation to be contributed. The **Walnut Creek Extension District No. 2,** is not responsible to make any contributions.

**Property Tax Calendar**
Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Major tax

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

distributions are made in the months of December through July. Lien dates for personal property are in March and August and lien dates for real property are in September. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

## NOTE 2 – LITIGATION

**Walnut Creek Extension District No. 2** is party to various legal proceedings. The legal proceedings are not likely to have a material adverse impact on the funds of **Walnut Creek Extension District No. 2**.

## NOTE 3 – RISK MANAGEMENT

**Walnut Creek Extension District No. 2** continues to carry commercial insurance for all other risks of loss, including property, general liability, inland marine, automobile, crime, workers compensation, and linebacker. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## NOTE 4 – COMPARATIVE DATA

Comparative data for the prior year has been presented in Statement 3 of the accompanying financial statements in order to provide an understanding of changes in **Walnut Creek Extension District No. 2's** cash and unencumbered cash balances. However, complete comparative data (i.e., presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.