

FRONTIER EXTENSION DISTRICT NO. 11
Lyndon, Kansas

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
December 31, 2011

CLUBINE AND RETTELE, CHARTERED
CERTIFIED PUBLIC ACCOUNTANTS
Salina, Kansas

FRONTIER EXTENSION DISTRICT NO. 11
Lyndon, Kansas

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December 31, 2011

TABLE OF CONTENTS

	<u>Page Number</u>
INTRODUCTORY SECTION	
Title Page	
Table of Contents	
FINANCIAL SECTION	
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	4
NOTES TO FINANCIAL STATEMENTS	5-8

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INDEPENDENT AUDITORS' REPORT

To the Board
Frontier Extension District No. 11
Lyndon, Kansas

We have audited the accompanying financial statements of Frontier Extension District No. 11, as of and for the year ended December 31, 2011, which collectively comprise the basic financial statements of Frontier Extension District No. 11 as listed in the table of contents. These financial statements are the responsibility of Frontier Extension District No. 11's management. Our responsibility is to express opinions on these financial statements 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 Guide* prescribed by the Division of Accounts and Reports of the State of Kansas. Those standards 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 opinions.

As described more fully in Note 2, Frontier Extension District No. 11 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 effect 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 Frontier Extension District No. 11 as of December 31, 2011, the changes in its financial position, or, where applicable, its cash flows for the year then ended. Further, Frontier Extension District No. 11 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 each fund of Frontier Extension District No. 11 as of December 31, 2011, and their respective cash receipts and disbursements, and the respective budgetary comparison for the General Fund the year then ended, on the basis of accounting described in Note 2.

Clubine and Rettele, Chartered

Salina, Kansas
September 24, 2012

FRONTIER EXTENSION DISTRICT NO. 11
 Lyndon, Kansas
 Summary of Cash Receipts, Expenditures and Unencumbered Cash - Statutory Basis
 For the Year Ended December 31, 2011

Statement 1

Fund	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General Fund	<u>\$ 76,763.31</u>	<u>\$ 575,958.84</u>	<u>\$ 569,625.38</u>	<u>\$ 83,096.77</u>	<u>\$ 737.57</u>	<u>\$ 83,834.34</u>
Composition of Cash Checking Account						<u><u>\$ 83,834.34</u></u>

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

FRONTIER EXTENSION DISTRICT NO. 11
 Lyndon, Kansas
 Summary of Expenditures, Actual and Budget - Statutory Basis
 For the Year Ended December 31, 2011

Statement 2

<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	\$ 628,500.00	\$ -	\$ 628,500.00	\$ 569,625.38	\$ (58,874.62)

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

FRONTIER EXTENSION DISTRICT NO. 11
Lyndon, Kansas
General Fund

Statement 3

Statement of Cash Receipts and Expenditures, Actual and Budget
For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Over <u>(Under)</u>
Cash Receipts			
Taxes and Shared Revenue	\$ 461,175.30	\$ 444,262.00	\$ 16,913.30
Kansas State University	87,178.00	87,178.00	-
Interest	108.03	-	108.03
Educational Services Reimbursements	16,445.16	60,000.00	(43,554.84)
Other	<u>11,052.35</u>	<u>50,000.00</u>	<u>(38,947.65)</u>
Total Cash Receipts	<u>575,958.84</u>	<u>\$ 641,440.00</u>	<u>\$ (65,481.16)</u>
Expenditures			
Travel	19,757.11	\$ 14,000.00	\$ 5,757.11
Printing and Audit	6,419.84	6,000.00	419.84
Rent	28,989.52	29,500.00	(510.48)
Telephone	5,099.59	6,000.00	(900.41)
Supplies, Stationery, and Postage	8,115.38	7,500.00	615.38
Equipment and Auto Purchases	7,550.91	7,500.00	50.91
Salaries	377,939.22	375,000.00	2,939.22
Employer's Contribution	50,248.56	60,000.00	(9,751.44)
Capital Outlay	35,886.19	50,000.00	(14,113.81)
Subsistence	4,133.18	5,000.00	(866.82)
Educational Services	16,223.16	60,000.00	(43,776.84)
Miscellaneous	<u>9,262.72</u>	<u>8,000.00</u>	<u>1,262.72</u>
Total Expenditures	<u>569,625.38</u>	<u>\$ 628,500.00</u>	<u>\$ (58,874.62)</u>
Receipts Over (Under) Expenditures	6,333.46		
Unencumbered Cash, Beginning	<u>76,763.31</u>		
Unencumbered Cash, Ending	<u>\$ 83,096.77</u>		

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

FRONTIER EXTENSION DISTRICT #11
Lyndon, Kansas

NOTES TO FINANCIAL STATEMENTS
December 31, 2011

Note 1 Reporting Entity

The Frontier Extension District #11, is a sub-division of Franklin and Osage 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.

Note 2 Basis of Accounting

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. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

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 municipality 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, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, 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 year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality 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.

Note 3 Budgetary Information

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. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

FRONTIER EXTENSION DISTRICT #11
Lyndon, Kansas

NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2011

Note 3 Budgetary Information (continued)

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.

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. 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.

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 counties in which the District is located 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 deposit 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.

FRONTIER EXTENSION DISTRICT #11
Lyndon, Kansas

NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2011

Note 4 Deposits and Investments (continued)

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 Government'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 Government has not designated a "peak period." All deposits were legally secured at December 31, 2011.

Deposits. At December 31, 2011, the Districts' carrying amount of deposits was \$83,834.34. The bank balance was \$125,803.71, held by two banks resulting in a concentration of credit risk. All deposits were covered by federal depository insurance.

Note 5 Defined Benefit Pension Plan

Plan Description. The municipality 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. That report 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 establishes the KPERs member-employee contribution rate at 4% of covered salary, or 6% if hired on or after July 1, 2009. 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 for calendar year 2011 is 7.74%. The employer contributions to KPERs for the years ending December 31, 2011 and 2010 were \$7,071.79 and \$2,472.72, respectively, equal to the required contributions for each year.

FRONTIER EXTENSION DISTRICT #11
Lyndon, Kansas

NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2011

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 municipality under this program.

Note 7 Compensated Absences

The District provides compensation for absences. For an in depth understanding, the policy in its entirety should be reviewed. As of December 31, 2011, unused leave and vacation was \$5,745.36.

Note 8 Subsequent Events

The District's management has evaluated events and transactions occurring after December 31, 2011 through September 24, 2012. The aforementioned date represents the date the financial statements were available to be issued.