

KANSAS STATE RESEARCH AND EXTENSION -
HARVEY COUNTY

NEWTON, KANSAS

Special Financial Statements

December 31, 2011

Kansas State Research and Extension - Harvey County

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Knudsen Monroe & Company LLC

INDEPENDENT AUDITOR'S REPORT

Extension Council
Kansas State Research and Extension - Harvey County
Newton, Kansas

We have audited the accompanying special purpose financial statements of the Kansas State Research and Extension - Harvey County, Newton, Kansas, as of and for the year ended December 31, 2011. These financial statements are the responsibility of the Extension Council. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative financial information has been derived from the Kansas State Research and Extension - Harvey County's 2010 financial statements and, in our report dated August 26, 2011, we expressed an unqualified opinion on the financial statements taken as a whole.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. 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 opinion.

As described more fully in Note 1, the Kansas State Research and Extension - Harvey County has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of 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, is presumed to be material.

In our opinion, because of the Kansas State Research and Extension - Harvey County's policy to prepare its financial statements on the basis of accounting 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 the Kansas State Research and Extension - Harvey County as of December 31, 2011, the changes in financial position, or where applicable, its cash flows for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the Kansas State Research and Extension - Harvey County as of December 31, 2011, and its cash receipts and expenditures, and budget to actual comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

Knudsen, Monroe & Company LLC

Certified Public Accountants

August 14, 2012

Kansas State Research and Extension – Harvey County

SUMMARY OF CASH RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH

Year ended December 31, 2011

<u>Funds</u>	Unencumbered Cash Balance <u>12-31-10</u>	Cash <u>Receipts</u>	<u>Expenditures</u>	Unencumbered Cash Balance <u>12-31-11</u>	<u>Encumbrances</u>	Cash Balance <u>12-31-11</u>
General Fund	\$ <u>148,856</u>	<u>379,787</u>	<u>374,520</u>	<u>154,123</u>	<u>-</u>	<u>154,123</u>
Composition of Cash Balance						
First Bank of Newton						28,775
NOW account						74,018
Money market account						<u>51,320</u>
Alliant Bank						
CD						<u>154,123</u>
						\$ <u>154,123</u>

Kansas State Research and Extension - Harvey County

STATEMENT OF CASH RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amount for the year ended December 31, 2010)

	2010 <u>Actual</u>	2011		Variance Over (Under)
		<u>Actual</u>	<u>Budget</u>	
GENERAL FUND				
Receipts				
County appropriations	\$ 285,883	293,559	293,559	-
KSU share of salaries	61,100	61,100	61,081	19
Interest and other	1,586	1,101	-	1,101
Educational services	<u>27,967</u>	<u>24,027</u>	<u>20,000</u>	<u>4,027</u>
	<u>376,536</u>	<u>379,787</u>	<u>374,640</u>	<u>5,147</u>
Expenditures				
Salaries	262,363	268,515	271,949	(3,434)
Employee benefits	53,951	58,874	61,984	(3,110)
Office supplies	7,699	7,076	11,100	(4,024)
Travel	4,947	4,447	7,250	(2,803)
Educational services	20,418	19,774	20,000	(226)
Subsistence	3,181	2,242	3,000	(758)
Capital outlay	6,291	3,723	8,700	(4,977)
Telephone	1,020	1,020	1,400	(380)
Insurance	2,727	1,665	3,200	(1,535)
Audit	1,700	1,750	1,800	(50)
Other	<u>7,091</u>	<u>5,434</u>	<u>6,000</u>	<u>(566)</u>
	<u>371,388</u>	<u>374,520</u>	<u>396,383</u>	<u>(21,863)</u>
Receipts over expenditures	5,148	5,267		
Unencumbered cash, beginning	<u>143,708</u>	<u>148,856</u>		
Unencumbered cash, ending	\$ <u>148,856</u>	<u>154,123</u>		

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Kansas State Research and Extension - Harvey County (Extension Office) is associated with Kansas State University Cooperative Extension Service, Manhattan, Kansas. These financial statements include only the activity of the Kansas State Research and Extension - Harvey County for the year ended December 31, 2011.

Basis of Accounting

These financial statements are presented on a statutory basis of accounting which demonstrates compliance with the cash basis and budget laws 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. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made. The Extension Office 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 Extension Office to use the statutory basis of accounting.

Departure from Generally Accepted Accounting Principles

The basis of presentation 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 non-cash 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 fiscal year in accordance with accounting principles generally accepted in the United States of America. Capital assets that account for the land, buildings and equipment owned by the Extension Office are not presented in the financial statements. Also, long-term debt such as general obligation bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

2. FUND DESCRIPTION

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

2. FUND DESCRIPTION (Continued)

The following fund comprises the financial activities of the Kansas State Research and Extension - Harvey County for the year 2011:

Governmental Fund

General Fund--to account for all unrestricted resources except those required to be accounted for in another fund.

3. BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund. On or before July 15 each year, the executive board of the county extension council shall file with the county commissioners in the office of the county clerk, a proposed budget in cooperation with the director of extension of Kansas State University of Agriculture and Applied Science for the ensuing calendar year.

All legal annual operating budgets are prepared using a modified cash basis of accounting. Revenues are recognized when cash is received. 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. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

4. COMPLIANCE WITH KANSAS STATUTES

Management is not aware of any statutory violations in the year ended December 31, 2011.

5. AGREEMENT WITH HARVEY COUNTY

The Extension Office has entered into an agreement with Harvey County that defines their respective rights, responsibilities, and obligations with regard to the operation and administration of the extension office.

The agreement primarily identifies that Harvey County will provide office space for the Extension Office at the County courthouse.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

6. DEPOSITS AND INVESTMENTS

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

K.S.A. 12-1675 limits the Extension Office'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 Office has no investment policy that would further limit its investment choices. As of December 31, 2011, the Extension Office's investments included only bank savings accounts and certificates of deposit with a fair value of \$125,338, which are not subject to investment rating.

Concentration of Credit Risk

State statutes place no limit on the amount the Extension Office 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 Office's deposits may not be returned to it. State statutes require the Extension Office'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 Office has not designated peak periods. At December 31, 2011, the carrying amount of the Extension Office's deposits, was \$154,123. The bank balance totaled \$181,736, which was covered by FDIC insurance.

7. DEFINED BENEFIT PENSION PLAN

Plan Description

The Extension Office 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, Topeka, Kansas 66603-3803) or by calling 1-888-275-5737.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

7. DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy

K.S.A. 74-4919 established the KPERS member-employee contribution rate at 4 to 6% of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code. Kansas State University Cooperative Extension Service is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate for the extension agents. The Services' contribution rate at December 31, 2011 was 7.14% of covered payroll. The Extension Office makes the employer's contribution for the secretaries. The Extension Office contribution to KPERS for the year ending December 31, 2011, 2010, and 2009 were \$4,421, \$3,807, and \$2,909 equal to the statutory required contribution for the year.

8. COMPENSATED ABSENCES

Full-time secretaries earn twelve days of paid vacation upon completion of one year of employment; from six through ten years of service they earn fifteen days of paid vacation per year; from eleven through fifteen years of service, they earn eighteen days of vacation per year. After sixteen years of service, employees earn twenty-two days of paid vacation per year. Unused vacation pay is paid to employees upon termination.

Full-time extension agents earn twenty-two days of paid vacation for each twelve months of employment. Unused vacation pay is paid to agents upon termination.

Full-time employees earn 12 days of paid sick leave in one year of service which can be accumulated to a maximum of 150 days. Unused sick leave is paid to employees upon termination on a prorated basis.

Unused sick leave and vacation time have not been recorded as liabilities in the accompanying special financial statements.

9. DATE OF MANAGEMENT REVIEW

Management has performed an analysis of the activities and transactions subsequent to December 31, 2011, to determine the need for any adjustments to and/or disclosures within the audited financial statements. Management has performed their analysis through August 14, 2012, which is the date at which the financial statements were available to be issued.