

GOLDEN PRAIRIE EXTENSION DISTRICT #12

Financial Statement with Independent Auditor's Report

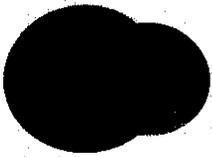
For the Year Ended December 31, 2012

MAPES & MILLER LLP
Certified Public Accountants
WaKeeney, Kansas

GOLDEN PRAIRIE EXTENSION DISTRICT #12
Financial Statement with Independent Auditor's Report
For the Year Ended December 31, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Golden Prairie Extension District #12
WaKeeney, Kansas 67672

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures and unencumbered cash balance of Golden Prairie Extension District #12, a municipality, as of and for the year ended December 31, 2012, 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 1 to meet the financial reporting requirements of the State of Kansas. 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 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 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 Golden Prairie Extension District #12 to meet the requirements of the State of Kansas 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 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 Golden Prairie Extension District #12 as of December 31, 2012, or changes in financial position and cash flows thereof for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The financial statement includes in-kind receipts and expenditures of \$116,064 for extension agents' salaries as described in Note 7 of the financial statement. The inclusion of these non-cash transactions is not in accordance with the regulatory basis of accounting as described in Note 1 of the financial statement, and this departure results in an overstatement of receipts and expenditures by \$116,064.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter discussed in the "Basis for Qualified Opinion on Regulatory Basis of Accounting" paragraph, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balances of Golden Prairie Extension District #12 as of December 31, 2012, 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 1.

Report on 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 balance (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget and the 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 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, except for the effects on the supplementary information of the qualified opinion on the basic financial statement as explained in the "Basis for Qualified Opinion on Regulatory Basis of Accounting" paragraph, the information is fairly stated in all material respects in relation to the basic financial statement as a whole.

Mapes & Miller LLP

Certified Public Accountants

September 16, 2013

GOLDEN PRAIRIE EXTENSION DISTRICT #12
 Summary Statement of Receipts, Expenditures and Unencumbered Cash

Regulatory Basis

For the Year Ended December 31, 2012

Fund	Regulatory Basis			Add		
	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Fund:						
General Fund	\$ 151,912	391,665	419,470	124,107	0	124,107
Total Reporting Entity	\$ 151,912	391,665	419,470	124,107	0	124,107

Composition of Cash:

Checking Account - Trego-WaKeeney State Bank \$ 124,107

Total Reporting Entity \$ 124,107

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

GOLDEN PRAIRIE EXTENSION DISTRICT #12
Notes to the Financial Statement
For The Year Ended December 31, 2012

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The Golden Prairie Extension District #12 was formed on July 1, 2010, under an operational agreement to combine the extension programs of Trego County and Logan County into one extension program. The District was expanded to include Gove County on July 1, 2011. It is governed by a twelve-member board, consisting of four members from each county, who are elected for a four-year term. The regulatory financial statement presents the Golden Prairie Extension District #12 (the municipality).

Regulatory Basis Fund Types

The following type of fund comprises the financial activities of the District for the year ended December 31, 2012:

General Fund – the chief operating fund, used to account for all resources except those required to be accounted for in another fund.

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 municipality 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 regulatory basis of accounting.

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 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 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 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 schedules 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 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 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.

2. 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 District in which the District is located, or in an adjoining District 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 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 investments 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 City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The District did not use "peak periods" during 2012. All deposits were legally secured at December 31, 2012.

At December 31, 2012, the District's carrying amount of deposits was \$124,107 and the bank balance was \$150,168. The bank balance was held by one bank resulting in a concentration of credit risk. The bank balance was covered by federal depository insurance.

3. Defined Benefit Pension Plan

Plan Description. The Golden Prairie Extension District #12 participates in the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by Kansas law. 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. The report may be obtained by writing to KPERs (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERs member-employee contribution rates. Effective July 1, 2009, KPERs has two benefit structures, and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1 2009. Kansas law establishes the KPERs member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERs is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

4. Compensated Absences

Compensated absences vary depending upon the specific terms of the employment agreement. Unused vacation leave is paid at termination of employment up to a maximum of one year's allowance. Unused sick leave is not paid at termination of employment.

5. Regulatory Compliance

Deposits. K.S.A. 9-1402 requires the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt. The District's deposits were not fully covered at January 31, 2012. This appears to be a violation of this statute.

Statement of Substantial Interests. K.S.A. 75-4302a requires elected officers and appointed public officers to file a written report disclosing substantial interests. Eight of twelve board members of the District have not filed such reports. This appears to be a violation of this statute.

Surety Bond. K.S.A. 2-627 requires the treasurer of the governing body to obtain a surety bond. The surety bond had inadvertently lapsed and was not reissued for the period under audit. This appears to be a violation of this statute.

6. Risk Management

The District carries commercial insurance for risks of loss, including property, liability, and automobiles. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

7. Extension Agents' Salaries

In accordance with K.S.A. 2-608, the Kansas State University of Agriculture and Applied Science contributes federal and state funds granted for cooperative extension work towards the salary of each extension agent employed. The extension agents are considered employees of the University for all payroll reporting purposes. The District reimburses the University on a monthly basis for its portion of the agents' salaries, benefits, and payroll taxes not funded by the University. The District reports the University-funded portion of the agents' salaries as an in-kind receipt from Kansas State University and a corresponding expenditure for Salaries and Wages.

REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION

GOLDEN PRAIRIE EXTENSION DISTRICT #12
SCHEDULE I

GOLDEN PRAIRIE EXTENSION DISTRICT #12

Summary of Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2012

Fund	Certified Budget	Adjustment for		Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance- Over (Under)
		Qualifying Budget Credits				
Governmental Type Fund:						
General Fund	\$ 521,800	0		521,800	419,470	(102,330)

GOLDEN PRAIRIE EXTENSION DISTRICT #12

SCHEDULE 2

General Fund

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
Receipts:			
Taxes	\$ 255,858	265,532	(9,674)
Kansas State University	116,064	112,000	4,064
Non-Appropriated Funds (Reimbursable)	18,751	3,000	15,751
Other Receipts	992	3,000	(2,008)
Consolidation of Equipment Replacement	<u>0</u>	<u>142,000</u>	<u>(142,000)</u>
 Total Receipts	 <u>391,665</u>	 <u>525,532</u>	 <u>(133,867)</u>
Expenditures:			
Audit, Bond, Insurance, and Legal Fees	8,899	11,000	(2,101)
Telephone	9,848	7,800	2,048
Rent and Utilities	0	5,000	(5,000)
Supplies, Stationery, and Postage	15,325	18,000	(2,675)
Equipment	7,185	9,500	(2,315)
Educational Program Support	17,709	10,000	7,709
Travel	25,951	18,000	7,951
Subsistence	6,919	6,200	719
Salaries and Wages	277,511	285,000	(7,489)
Employee Benefits	42,304	62,000	(19,696)
Equipment Replacement Reserve	0	55,000	(55,000)
Non-Appropriated Funds (Reimbursable)	7,819	9,300	(1,481)
KPERS Reimbursement	<u>0</u>	<u>25,000</u>	<u>(25,000)</u>
 Total Expenditures	 <u>419,470</u>	 <u>521,800</u>	 <u>(102,330)</u>
 Receipts Over (Under) Expenditures	 <u>(27,805)</u>		
Unencumbered Cash, Beginning	<u>151,912</u>		
 Unencumbered Cash, Ending	 <u>\$ 124,107</u>		