

KANSAS STATE RESEARCH AND EXTENSION -  
HARVEY COUNTY

NEWTON, KANSAS

FINANCIAL STATEMENT

For the Year Ended December 31, 2012

Kansas State Research and Extension - Harvey County

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December 31, 2012

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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 fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the K-State Research & Extension - Harvey County, Newton, Kansas, 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.

### ***Auditors' 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 the Council 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 Council as of December 31, 2012, or changes in financial position and cash flows thereof for the year then ended.

***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 Council 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 balances (basic financial statement) as a whole. The summary of expenditures - actual and budget and the individual fund schedule of cash 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. 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 1.

The 2011 actual column presented in the individual fund schedule of cash receipts and expenditures - actual and budget (Schedule 2 as listed in the table of contents) are also presented for comparative analysis and are not a required part of the 2011 financial statements upon which we rendered an unqualified opinion dated August 14, 2012. The 2011 financial statements and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, Office of Management Analysis and Standards at the following link <http://www.da.ks.gov/ar/muniserv/>. Such 2011 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 financial statement. The 2011 comparative information was subjected to the auditing procedures applied in the audit of the 2011 financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2011 financial statement or to the 2011 financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2011 comparative information is fairly stated in all material respects in relation to the 2011 financial statement as a whole.

*Knudsen, Menwe & Company LLC*

Certified Public Accountants  
Newton, Kansas

November 15, 2013

Kansas State Research and Extension – Harvey County

SUMMARY OF CASH RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH  
REGULATORY BASIS

Year ended December 31, 2012

<u>Fund</u>	<u>Unencumbered Cash Balance 12/31/2011</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Unencumbered Cash Balance 12/31/2012</u>	<u>Encumbrances</u>	<u>Cash Balance 12/31/2012</u>
General Fund	\$ 154,123	375,087	368,210	161,000	-	161,000

**Composition of Cash Balance**

First Bank of Newton						
NOW account						\$ 36,834
Money market account						74,015
Legacy Bank						
CD						<u>50,151</u>
						<u>\$ 161,000</u>

See notes to financial statements

NOTES TO FINANCIAL STATEMENT

December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial 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 K-State Research & Extension - Harvey County for the year ended December 31, 2012.

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 Council 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 Council to use the regulatory basis of accounting.

KMAAG Regulatory Basis of Presentation and Definitions

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.

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

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

Use of Estimates

The preparation of financial statement in conformity with the basis of accounting described above requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENT

December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 Commission 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 Council. The statute requires banks eligible to hold the Council's funds have a main or branch bank in the county in which the Council 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 Council has no investment policy that would further limit interest rate risk.

K.S.A. 12-1675 limits the Council'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 Council has no investment policy that would further limit its investment choices.

As of December 31, 2012, the Council's investments included savings and time deposits with a fair value of \$124,166, which are not subject to investment rating.

Concentration of Credit Risk

State statutes place no limit on the amount the Council may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

NOTES TO FINANCIAL STATEMENT

December 31, 2012

2. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Council’s deposits may not be returned to it. State statutes require the Council’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 Council has not designated peak periods. All deposits were legally secured at December 31, 2012.

At December 31, 2012, the carrying amount of the Council’s deposits was \$161,000. The bank balance totaled \$184,739, which was covered by FDIC insurance.

3. AGREEMENT WITH HARVEY COUNTY

The Council 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.

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Kansas Statutes

Management is not aware of any statutory violations occurring in the year ended December 31, 2012.

5. DEFINED BENEFIT PENSION PLAN

Plan Description

The Council 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) or by calling 1-888-275-5737.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

5. DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy

K.S.A. 74-4919 and K.S.A. 74-4921 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 of 4% of covered salary for Tier 1 members, and at 6% of covered salary for Tier 2 members. 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. The employer rate established by statute was 8.34% at December 31, 2012. Kansas State University Cooperative Extension Service is required to contribute the employer rate for the extension agents. The Council makes the employer's contribution for the secretaries. The Council contribution to KPERS for the years ending December 31, 2012, 2011, 2010 were \$4,866, \$4,421, and \$3,807 respectively, equal to the statutory required contributions for each year.

6. COMPENSATED ABSENCES

All personnel earn vacation time per the following schedule:

Secretaries:

Completion of one through five years - twelve days

After five years - fifteen days

After ten years - eighteen days

After fifteen years - twenty-two days

Extension Agents:

twenty-two days every year of employment

Unused vacation time has not been recorded as a liability in the accompanying financial statement.

Unused vacation time is paid to employees upon termination.

All full time employees accrue sick leave at the rate of twelve days per year of service. Unused sick leave may be accrued from year to year, except that the maximum accrual shall not exceed 150 days.

Unused sick leave is paid to employees upon termination on a prorated basis. Unused sick leave has not been recorded as a liability in the accompanying financial statements.

7. DATE OF MANAGEMENT'S REVIEW

Management has performed an analysis of the activities and transactions subsequent to December 31, 2012, to determine the need for any adjustments to and/or disclosures within the audited financial statements. Management has performed their analysis through November 15, 2013, which is the date at which the financial statements were available to be issued.

KANSAS STATE RESEARCH AND EXTENSION -  
HARVEY COUNTY

SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2012

Kansas State Research and Extension - Harvey County

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET  
REGULATORY BASIS

Year ended December 31, 2012

	Certified <u>Budget</u>	Expenditures Chargeable to <u>Current Year</u>	Variance Over <u>(Under)</u>
<b>General Fund:</b>			
General	<u>\$ 403,450</u>	<u>368,210</u>	<u>(35,240)</u>

Kansas State Research and Extension - Harvey County

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
REGULATORY BASIS

Year ended December 31, 2012  
(With comparative actual amounts for the year ended December 31, 2011)

	2011 <u>Actual</u>	2012		Variance Over (Under)
		<u>Actual</u>	<u>Budget</u>	
<b>GENERAL FUND</b>				
Receipts				
County appropriations	\$ 293,559	293,559	293,559	-
KSU share of salaries	61,100	60,944	61,081	(137)
Interest and other	1,101	824	-	824
Educational services	24,027	19,760	20,000	(240)
	<u>379,787</u>	<u>375,087</u>	<u>374,640</u>	<u>447</u>
Expenditures				
Salaries	268,515	264,035	274,000	(9,965)
Employee benefits	58,874	59,235	67,000	(7,765)
Office supplies	7,076	5,101	11,100	(5,999)
Travel	4,447	3,484	7,250	(3,766)
Educational services	19,774	18,576	20,000	(1,424)
Subsistence	2,242	1,522	3,000	(1,478)
Capital outlay	3,723	4,723	8,700	(3,977)
Telephone	1,020	1,020	1,200	(180)
Insurance	1,665	2,175	3,200	(1,025)
Audit	1,750	1,800	1,800	-
Other	5,434	6,539	6,200	339
	<u>374,520</u>	<u>368,210</u>	<u>403,450</u>	<u>(35,240)</u>
Receipts over expenditures	5,267	6,877		
Unencumbered cash, beginning	<u>148,856</u>	<u>154,123</u>		
Unencumbered cash, ending	<u>\$ 154,123</u>	<u>161,000</u>		