

Wildcat Extension District No. 14

Audit Report

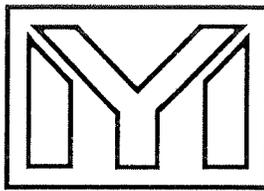
December 31, 2012

WILDCAT EXTENSION DISTRICT NO. 14

December 31, 2012

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YERKES & MICHELS, CPA, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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An Independent C.P.A. Firm

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Wildcat Extension District No. 14
410 Peter Pan Road, Suite B
Independence, KS 67301

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Wildcat Extension District No. 14, as of and for the year ended December 31, 2012, and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

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 1B 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 District'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 District'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 1B of the financial statement, the financial statement is prepared by the District 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 effect on the financial statement of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonable determinable, are presumed to be material.

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 the District as of December 31, 2012, or changes in the financial position and cash flows thereof for the year 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 District 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 1B.

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 regulatory basis expenditures-actual and budget, and individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for analysis 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, 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 1B.


YERKES & MICHELS, CPA, LLC

August 30, 2013

**WILDCAT EXTENSION DISTRICT NO 14
SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNCEMBUMBERED CASH
REGULATORY BASIS**

For the Year Ended December 31, 2012

	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
GOVERNMENTAL TYPE FUNDS:							
GENERAL FUND	\$ 123,440.60	\$ -	\$ 1,149,790.81	\$ 1,026,869.44	\$ 246,361.97		\$ 246,361.97
TOTAL PRIMARY GOVERNMENT	<u>\$ 123,440.60</u>	<u>\$ -</u>	<u>\$ 1,149,790.81</u>	<u>\$ 1,026,869.44</u>	<u>\$ 246,361.97</u>	<u>\$ -</u>	<u>\$ 246,361.97</u>

COMPOSITION OF CASH-Primary Government

Community National Bank	171,361.97
Account No. 1910001139	\$ 75,000.00
Account No. 53020	<u>\$ 246,361.97</u>
TOTAL PRIMARY GOVERNMENT	

**NOTES TO THE
FINANCIAL STATEMENT**

WILDCAT EXTENSION DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1A. MUNICIPAL FINANCIAL REPORTING ENTITY

Wildcat Extension District No. 14 is an Extension District governed by a twelve member Board of Directors. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The District was formed on July 1, 2011 by the combination of Crawford, Labette and Montgomery County Extension Councils. The District's purpose is to provide quality information, education, and problem solving programs to individuals in the Crawford, Labette and Montgomery County, Kansas area about crops and livestock, 4-H & youth development, lawn & gardens, and health & nutrition.

1B. BASIS OF ACCOUNTING

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The 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 changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenue 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 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 District to use the regulatory basis of accounting.

1C. REGULATORY BASIS FUND TYPES

The accounts of the reporting entity are organized into funds, each of which is considered to be separate accounting entities.

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 types of funds comprise the financial activities of Wildcat Extension District No. 14, for the year 2012:

WILDCAT EXTENSION DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

1c. REGULATORY BASIS FUND TYPES (cont'd)

GOVERNMENTAL FUNDS

General Fund— the chief operating funds. Used to account for all resources except those required to be accounted for in another fund.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2A. BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. 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 10 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 the 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 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 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 District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budget expenditure authority lapses at year-end.

WILDCAT EXTENSION DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (cont'd.)

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.

2B. COMPLIANCE WITH FINANCE-RELATED LEGAL AND CONTRACTUAL MATTERS

Management is not aware of any violations of compliance with Kansas Statutes or violations of other finance related legal matters.

NOTE 3 – DEPOSITS AND INVESTMENTS

As of December 31, 2012, the District had no 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 county in which the 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 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.

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%. As of December 31, 2012, all deposits were secured.

At December 31, 2012 the carrying amount of the District's deposits was \$ 246,361.97. The bank balance was \$ 293,235.83. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. The bank balance was held by one bank in Montgomery County. Of the bank balance, \$ 250,000 was covered by federal depository insurance, with the remaining balance of \$ 43,235.83 was collateralized with securities held by the pledging financial institution's agents in the District's name.

WILDCAT EXTENSION DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

NOTE 5 – RELATED PARTY ECONOMIC DEPENDENCY

Wildcat Extension District is an affiliate of Kansas State University (KSU) Research and Extension Department. Due to this affiliation the District receives funding for reimbursement of agent salaries, which is recognized as income when paid by KSU. All extension agents are employed directly by KSU, with the District reimbursing a portion of the salaries for each agent, therefore the amount paid and billed to KSU are a wash of funds and no money is directly received or remitted by the District. Total salaries paid to agents by KSU on behalf of the District for the year ending December 31, 2012 was \$473,728.93, of which \$160,400.76 was funded by KSU directly.

NOTE 6 – COMPENSATED ABSENCES

District employees are eligible for vacation benefits that accrue as follows: 0 to 5 years of employment accrue 1 day per month, 5 to 14 years employment accrue 1 ½ days per month and 15 years or more accrue 1 ¾ days per month. Employees may accumulate up to 30 days of vacation; any vacation accumulated in excess will be forfeited.

All full-time District employees earn sick leave at a rate of one day per month, there is no limit on the amount that can be accumulated. The District does not compensate for any unused sick leave, however upon retirement an employee will be compensated for 30 days of unused sick leave, if they have accumulated at least 100 days. Retirement is defined as being eligible for Social Security Benefits.

The liability for accrued vacation and sick pay is not reflected on the financial statements. Neither the actual or estimated amount of the liability was available at December 31, 2012. The cost of vacation and sick pay are recognized as expenditures when paid.

NOTE 7 -- OTHER POST EMPLOYMENT BENEFITS

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government 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 resulting in no expense for the District.

NOTE 8 – DEFINED BENEFIT PENSION PLAN

The District does not provide any type of defined benefit pension plan.

WILDCAT EXTENSION DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Settlements of claims have not exceeded coverage during the past three fiscal years.

NOTE 10 – USE OF ESTIMATES

The preparation of regulatory basis financial statements requires management to make estimates and assumptions that affect the reported amounts of expenditures during the audit period, encumbrances outstanding, and disclosure of contingencies at the end of the audit period. Actual results could differ from the estimates.

NOTE 11 – SIGNIFICANT DEFICIENCY

We noted that, due to the small number of staff, proper segregation of duties is not attainable.

**REGULATORY – REQUIRED
SUPPLEMENTARY INFORMATION**

**WILDCAT EXTENSION DISTRICT NO. 14
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET**

For the Year Ended December 31, 2012

<u>GOVERNMENTAL TYPE 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 - See Note 2	\$ 1,155,800.00	\$ -	\$ 1,155,800.00	\$ 1,026,869.44	\$ (128,930.56)

WILDCAT EXTENSION DISTRICT NO. 14
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

GENERAL FUND

For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Six Months Ended December 31, 2011)

	Six Months Ended December 31, 2011	Current Year		Variance Over (Under)
		Actual	Budget	
CASH RECEIPTS				
Taxes	\$ 203,081.38	\$ 941,787.27	\$ 938,173.00	\$ 3,614.27
KSU Funding	78,979.08	160,400.76	159,952.00	448.76
Educational Service	19,769.22	39,033.61	35,000.00	4,033.61
Miscellaneous	9,717.52	8,569.17		8,569.17
TOTAL CASH RECEIPTS	\$ 311,547.20	\$ 1,149,790.81	\$ 1,133,125.00	\$ 16,665.81
EXPENDITURES				
Contract Labor	\$ 230,404.97	\$ 473,728.93	\$ -	\$ 473,728.93
Salaries	65,607.20	153,846.15	650,000.00	(496,153.85)
Utilities	29,005.71	64,931.49	69,300.00	(4,368.51)
Travel	19,861.66	39,759.95	45,000.00	(5,240.05)
Supplies	12,763.20	24,734.76	19,000.00	5,734.76
Educational Services	12,164.66	34,138.94	16,000.00	18,138.94
Employee Benefits	51,994.44	131,269.02	141,000.00	(9,730.98)
Miscellaneous	4,223.30	15,284.82	45,000.00	(29,715.18)
Payroll Taxes	5,089.43	12,938.20	-	12,938.20
Subsistence	7,479.83	8,957.40	10,500.00	(1,542.60)
Special Funds	-	-	75,000.00	(75,000.00)
Small Equipment/ Automobile Expense	6,300.60	67,279.78	85,000.00	(17,720.22)
TOTAL EXPENDITURES	\$ 444,895.00	\$ 1,026,869.44	\$ 1,155,800.00	\$ (128,930.56)
RECEIPTS OVER (UNDER) EXPENDITURES	\$ (133,347.80)	\$ 122,921.37		
UNENCUMBERED CASH, BEGINNING	256,788.40	123,440.60		
UNENCUMBERED CASH, ENDING	\$ 123,440.60	\$ 246,361.97		