CENTRAL KANSAS EXTENSION DISTRICT NO. 3

SALINA, KANSAS

DECEMBER 31, 2016

CENTRAL KANSAS EXTENSION DISTRICT NO. 3
Salina, Kansas

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INDEPENDENT AUDITORS' REPORT

Central Kansas Extension District No. 3
Salina, Kansas

We have audited the accompanying regulatory basis summary statement of receipts, expenditures, and unencumbered cash of Central Kansas Extension District No. 3, (the District) Salina, Kansas as of and for the year ended December 31, 2016, 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 the financial statement in accordance with the regulatory basis accounting provisions permitted in the Kansas Municipal Audit and Accounting Guide (KMAAG), as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining the regulatory basis of accounting is an acceptable basis for preparing the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation 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 KMAAG. Those standards require that 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 the auditor's judgment, including the assessment of the risks of material misstatement, 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 the accounting policies used and the reasonableness of significant 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 District on the basis of the financial reporting provisions permitted in KMAAG, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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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 matters 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 accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2016, or the respective changes in financial position, or where applicable, its cash flows for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the District as of December 31, 2016, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions permitted in KMAAG as described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the summary statement of receipts, expenditures, and unencumbered cash – regulatory basis (basic financial statement) as a whole. The individual fund schedule of receipts and expenditures – regulatory basis – actual and budget is presented for analysis and is not a required part of the financial statement; however, they are required to be presented under the provisions of KMAAG. 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 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 financial statement as a whole on the basis of accounting described in Note 1.

Lindburg Vogel Pierce Faris

Certified Public Accountants

Hutchinson, Kansas
April 13, 2017

CENTRAL KANSAS EXTENSION DISTRICT NO. 3
Salina, Kansas

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH - REGULATORY BASIS
For Year Ended December 31, 2016

Fund	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
GENERAL FUND	$ 141,557	$ 1,177,588	$ 1,034,660	$ 284,485	$ 1,544	$ 286,029

COMPOSITION OF CASH	
Checking account	$ 9,496
Money Market account	276,533
TOTAL CASH	$ 286,029

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

CENTRAL KANSAS EXTENSION DISTRICT NO. 3
Salina, Kansas

NOTES TO THE FINANCIAL STATEMENT
December 31, 2016

NOTE 1—SUMMARY OF ACCOUNTING POLICIES

Reporting Entity

Central Kansas Extension District No. 3 (the District) provides services in such areas as agriculture, home economics, and 4-H clubs to all persons in Saline and Ottawa Counties. The District is governed by an elected eight-member executive board.

The District was formed on July 1, 2004, through the combination of the Saline and Ottawa Counties Extension Councils. The District has its own tax levy.

Fund 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.

Kansas Municipal Audit and Accounting Guide Regulatory Basis of Presentation Fund Definitions

The following fund was utilized in recording the financial activities of the District for the year of 2016:

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

Regulatory Basis of Accounting and Departure from Generally Accepted Accounting Principles

The regulatory basis of accounting as prescribed in the Kansas Municipal Audit and Accounting Guide (KMAAG) 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 reporting the changes in unencumbered cash and investments of a fund resulting from the 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 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.

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 1.

2. Publication in the local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5.

3. Public hearing on or before August 15, but at least ten days after publication of notice of hearing.

4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the original 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 the year ended December 31, 2016.

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.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which regulatory receipts 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 budgeted expenditure authority lapses at year end.

A legal operating budget is not required for Capital Project Funds, Fiduciary Funds, and certain Special Purpose Funds.

Spending in funds which are not subject to the legal annual operating budget requirement, are controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Tax Cycle

The determination of assessed valuations and the collections of property taxes for all political subdivisions in the State of Kansas is the responsibility of the county. The County Appraiser annually determines assessed valuations based on real property transactions as recorded by the Register of Deeds and personal property holdings reported by taxpayers. The Clerk spreads the annual assessment on the tax rolls and the County Treasurer collects the taxes for all taxing entities within the county.

In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. One half of the property taxes are due December 20 prior to the fiscal year for which they are budgeted, and the second half is due the following May 10. Delinquent taxes were assessed interest as prescribed by Kansas statute. The interest is retained by the county.

Taxes levied to finance the budget are made available after January 1 and are distributed by the County Treasurer approximately every month and a half. Approximately 50% of the taxes levied are available in January. Delinquent tax collections are distributed throughout the year.

Cash and Investments

Cash includes amounts in demand, time deposits, and certificates of deposit at financial institutions.

Investments may consist of types authorized by K.S.A. 12-1675, which includes U.S. government securities, repurchase agreements, the Kansas Municipal Investment Pool, and others.

Reimbursed Expenses

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses included in the financial statement meet the following criteria: (1) the related disbursement was made in the current year on behalf of the payee, (2) the item paid for was directly identifiable as having been used by or provided to the payee, and (3) the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

Use of Estimates

The process of preparing financial statements requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2—COMPLIANCE WITH KANSAS STATUTES

Management was not aware of any statutory violations.

NOTE 3—DEPOSITS AND INVESTMENTS

The District's policies relating to deposits and investments are governed by various Kansas statutes. Those statutes specify the type of deposits and investments as well as the securing of those 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 county 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 Federal Deposit Insurance Corporation (FDIC) coverage.

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.

Interest Rate Risk

In accordance with K.S.A. 12-1675, the District manages its exposure to interest rate fluctuations by limiting all time investments to maturities of two years or less. The District has no other policies that would further limit interest rate risk.

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 FDIC 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, the Federal Home Loan Bank of Topeka, or deposit guaranty bonds coverage.

At December 31, 2016, the District's carrying amount of deposits was $286,029 and the bank balance was $402,278. Of the bank balance, $375,745 was covered by FDIC insurance and the remaining $26,533 was collateralized with securities held by the pledging financial institutions' agent in the District's name.

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 limit the amount of credit risk by restricting governments to specific investment types as listed in K.S.A. 12-1675.

As of December 31, 2016, the District had no such investment.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. 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.

NOTE 4—DEFINED BENEFIT PENSION PLAN

Plan Description

The District participates in the Kansas Public Employees Retirement System (KPERS), 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 supplementary information. KPERS' financial statements are included in the Comprehensive Annual Financial Report, which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100; Topeka, Kansas 66603) or by calling 1-888-275-5737.

Contributions

K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2, or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009; KPERS 2 members were first employed in a covered position on or after July 1, 2009; and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Kansas law establishes the KPERS member-employee contribution rate at 6.00% of covered salary for KPERS 1, KPERS 2, or KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

Kansas law provides that employer contribution rates for KPERS 1, KPERS 2, and KPERS 3 be determined annually based on the results of an annual actuarial valuation. The actuarially determined employer contribution rate (excluding the contribution rate for the Death and Disability program) and the statutory contribution rate was 9.18% for the year ended December 31, 2016. Contributions to the pension plan from the District were $15,013 for KPERS for the year ended December 31, 2016.

Net Pension Liability

At December 31, 2016, the District's proportionate share of the collective net pension liability reported by KPERS was $155,430. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015, which was rolled forward to June 30, 2016. The District's share of the allocated net pension liability is based on the ratio of the District's employer contributions to KPERS, relative to the total employer contributions and non-employer contributions of the Local subgroup within KPERS. Because the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in the financial statement.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publically available on the website at www.kpers.org or can be obtained as described in the first paragraph above.

NOTE 5—RISK MANAGEMENT

The District has obtained coverage through commercial insurance to limit its exposure to various risk of loss related to torts, theft of, damage to, and destruction of assets.

Workers' compensation coverage is obtained through commercial insurance to limit exposure for work related personal injury or illness.

There were no significant reductions in insurance coverage during the past fiscal year and there were no settlements that exceeded insurance coverage for the past three fiscal years.

NOTE 6—COMPENSATED ABSENCES

Under District personnel policies in effect at year end, the District is liable for payments to employees for vacation and sick pay when taken in agreement with the policy. Under certain conditions, employees may carry over limited credits and may be paid for unused time. The costs of accumulated vacation and sick leave are not recorded in the financial statements at the time the benefits are earned by the employee. The estimated liability for accumulated leave time as of December 31, 2016, was $16,732.

CENTRAL KANSAS EXTENSION DISTRICT NO. 3
Salina, Kansas

SCHEDULE OF RECEIPTS AND EXPENDITURES -
REGULATORY BASIS
(ACTUAL AND BUDGET)
For Year Ended December 31, 2016

	Actual	Budget	Over (Under) Budget
RECEIPTS			
Taxes and shared revenue	$ 1,020,709	$ 1,007,056	$ 13,653
Kansas State University	106,148	113,256	(7,108)
Interest	1,897	350	1,547
Educational services reimbursements	48,834	80,000	(31,166)
TOTAL RECEIPTS	1,177,588	$ 1,200,662	$ (23,074)
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET			
Printing, audit, and treasurer's bond	20,373	$ 24,000	$ (3,627)
Telephone	5,896	11,000	(5,104)
Rent, heat, and lights	60,456	60,500	(44)
Supplies, stationery, and postage	11,762	14,500	(2,738)
Equipment (including auto exchange)	29,696	25,500	4,196
Educational services and supplies	24,216	12,000	12,216
Travel	12,727	20,000	(7,273)
Subsistence	7,931	12,000	(4,069)
Salaries	684,741	732,000	(47,259)
Employer's contributions	144,784	168,400	(23,616)
Equipment replacement reserve	-	110,000	(110,000)
Reimbursables	18,354	80,000	(61,646)
Miscellaneous	13,724	15,000	(1,276)
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	1,034,660	$ 1,284,900	$ (250,240)
RECEIPTS OVER (UNDER) EXPENDITURES	142,928		
UNENCUMBERED CASH, JANUARY 1	141,557		
UNENCUMBERED CASH, DECEMBER 31	$ 284,485		