JOHNSON COUNTY EXTENSION COUNCIL
Olathe, Kansas

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2017

JOHNSON COUNTY EXTENSION COUNCIL

TABLE OF CONTENTS
Year ended December 31, 2017

	Statement	Page
Independent Auditor's Report		1
Financial Statements		
Summary Statement of Receipts, Expenditures and Unencumbered Cash	1	3
Notes to Financial Statements		4
Required Regulatory Basis Supplementary Information	Schedule	
Summary of Expenditures – Actual and Budget	1	9
Schedule of Receipts and Expenditures – Actual and Budget	2	10

234 South Main
P.O. Box 1020
Ottawa, Kansas 66067
(785) 242-3170
(785) 242-9250 FAX
www.agc-cpas.com WEB SITE

Agler & Gaeddert CHARTERED
Certified Public Accountants

Harold K. Mayes, CPA
Jennifer L. Kettler, CPA
Lucille L. Hinderliter, CPA

INDEPENDENT AUDITOR'S REPORT

To the Extension Board
Johnson County Extension Council
Olathe, KS 66062

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Johnson County Extension Council, as of and for the year ended December 31, 2017, 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 C; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. 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 controls. 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 C of the financial statement, the financial statement is prepared by the Johnson County Extension Council 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 C and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

INPACT
INTERNATIONAL NETWORK OF PROFESSIONAL ACCOUNTANTS
AFFILIATE

Adverse Opinion on U.S. Generally Accepted accounting Principles
In our opinion, because of the significance of the matter discussed in the "Basis of 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 Johnson County Extension Council as of December 31, 2016, or changes in financial position and cash flows thereof for the year then ended.

Unmodified 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 Johnson County Extension Council as of December 31, 2016, 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 C.

Other Matters
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 expenditure-actual and budget, 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 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, 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 C.

Prior Year Comparative
The 2016 Actual column presented in the individual fund schedules of regulatory basis receipts and expenditures – actual and budget (Schedule 2 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2016 basic financial statement upon which we have rendered an unmodified opinion dated December 4, 2018. The 2016 basic financial statement and our accompanying report are not presented herein, but available in electronic form from the web site of the Kansas Department of Administration at the following link http://admin.ks.gov/offices/chief-financial-officer/municipal-services. Such 2016 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 2016 basic financial statement. The 2016 comparative information was subjected to the auditing procedures applied in the audit of the 2016 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 2016 basic financial statement or to the basic financial statements itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2016 comparative information is fairly stated in all material respects in relation to the 2016 basic financial statement as a whole, on the basis of accounting described in Note C.

Agler & Gaeddert, Chartered

Agler & Gaeddert, Chartered
Ottawa, Kansas
December 4, 2018

JOHNSON COUNTY EXTENSION COUNCIL

Statement 1

SUMMARY OF CASH RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH
REGULATORY BASIS
For the Year Ended December 31, 2017

Beginning unencumbered cash balance, beginning of year	$	333,711
Cash receipts		1,033,249
Expenditures		1,058,333
Ending unencumbered cash balance, end of year		308,627
Outstanding encumbrances and accounts payable		49,378
Ending cash balance, end of year	$	358,005
Composition of ending cash		
Balances on deposit		
Demand deposit accounts		
Brotherhood Bank & Trust	$	358,005

The accompanying notes are an integral part of this statement.

NOTE A. MUNICIPAL REPORTING ENTITY

The Johnson County Extension Council (the Council), in cooperation with Kansas State University, provides technical assistance, information and education that improves family, farm and community life. The Council is governed by a nine-member Executive Board elected by the 24 publicly elected members of the Johnson County Extension Council. The Council is a separate legal entity from Johnson County. The Council has a related municipal entity, which is the Johnson County Education Foundation (The Foundation). The Foundation is a separate non-profit entity whose sole purpose is to receive donations to benefit the council. This related municipal entity is not presented.

NOTE B. REGULATORY BASIS FUND TYPES

The accounts of the Council are organized and operated on the basis of funds. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Funds accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The Council potentially could have the following type of funds.

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

Special Purpose Funds – used to account for the proceeds of specific tax levies and other specific regulatory receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specific purposes. The Council does not have any funds of this type.

Bond and Interest Fund – used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt. The Council does not have any funds of this type.

Capital Project Fund – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment. The Council does not have any funds of this type.

Business Fund – funds financed in whole or in part by fees charged to users of goods or services (i.e. enterprise and internal service funds etc.). The Council does not have any funds of this type.

Trust Fund – funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipality reporting entity, scholarship funds, etc). The Council does not have any funds of this type.

Agency Fund – funds used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, county treasurer tax collection accounts, etc.). The Council does not have any funds of this type.

NOTE C. 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 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 receipts 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 obligations 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 mentioned above.

The municipality has approved a resolution that it 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.

NOTE D. BUDGETARY INFORMATION

Internal budgets are prepared for monitoring purposes and are not required to be published.

NOTE E. 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, 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 bank to pledge securities for deposits in excess of FDIC coverage. The Council has no other policies 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. The Council rates investments (if any) as noted. The Council held no such investments at December 31, 2017.

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%. There were no designated "peak periods" during the year. All deposits were legally secured at December 31, 2017.

At December 31, 2016, the Council's carrying amount of deposits was $358,005 and the bank balance was $364,733. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance $250,000 was covered by FDIC insurance and $114,733 was collateralized with securities held by the pledging financial institutions' agents in the Council'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 Council 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. The Council had no such investments at year end.

NOTE F. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Annual Leave:
Support Staff are eligible for annual leave benefits in varying annual amounts depending upon years of service. Employees are allowed to accumulate and carry forward a maximum of two times their annual leave. Eligible part time employees receive pro-rated annual leave. Maximum accrual is two times of the vacation hours earned per year. Annual leave is payable upon termination of employment.

Years of Service	Number of Vacation Hours Per Year
0-5	96
6-10	120
11	132
12	138
13	144
14	156
15	162

NOTE F. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS - continued

Agents accumulate 22 days of annual leave benefits per year up to 38 days that is payable upon termination.

Sick Leave:
Support staff sick leave is accumulated to full time employees at the rate of 8 hours per month. Part time employees working more than 1,000 hours per year accumulate 4 hours per month. Twenty percent of accumulated sick leave is payable upon termination of employment.

Agents accumulate sick leave at the rate of 8 hours per month with no limit. Upon termination if more than 800 hours are accumulated they will be paid out at the following rate depending upon the years of service. Accumulated sick leave compensation is as follows: compensation for 30 working days if completed 8 or more years of service and has accumulated at least 800 hours, compensation for 45 working days if employee has completed 15 or more years of service and has accumulated 1000 hours, and compensation for 60 working days if completed 25 or more years of service and has accumulated 1200 hours of sick leave.

The Council's policy is to recognize the costs of compensated absences when actually paid to employees.

Operating Leases:
The Johnson County Extension Council has entered into a lease agreement for the use of a postage machine. The future minimum payments on these leases are:

Lease on Postal Machine		Amount
2018		1,692
2019		1,692
2020		705
Total	$	4,089

Rental expense for postal machine under this operating lease was $1,692 for the year ended December 31, 2017.

NOTE G. DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description - The Council participates in 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. Kansas law establishes and amends benefit provisions. KPERS issues a publically available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 S Kansas, Suite 100, Topeka, Kansas 66603) or by calling 1-888-275-5737.

Contributions. KSA 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. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and 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.

NOTE G. DEFINED BENEFIT PENSION PLAN - continued

State law provides that the employer contribution rates for KPERS 1 and KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate with a 0% moratorium from the period January 1, 2017 through September 30, 2017 for Death and Disability Program) and the statutory contribution rate was 8.46% for the fiscal year ended December 31, 2017. Contributions to the pension plan from Johnson County Extension Council were $12,696 for the year ended December 31, 2017.

Net Pension Liability

At December 31, 2017, the Council's proportionate share of the collective net pension liability reported by KPERS was $117,571. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. The Council's proportion of the net pension liability was based on the ratio of the Council's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

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

NOTE H. RISK MANAGEMENT

The Johnson County Extension Council is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, for which the Council carries commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE I. OTHER INFORMATION

Educational Services - Cash receipts and expenditures in this category represent fees collected for specific services which require special equipment or personnel such as soil testing services and other educational services. None of these amounts collected represent tax monies.

NOTE I. SUBSEQUENT EVENTS

The Council evaluated subsequent events through December 4, 2018, the date the financial statements were available to be issued. No subsequent events were identified which require disclosure.

REQUIRED REGULATORY BASIS
SUPPLEMENTARY INFORMATION

JOHNSON COUNTY EXTENSION COUNCIL

Schedule 1

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2017

Certified budget for comparison	$	936,353
Adjustment for qualifying budget credits		150,680
Total budget		1,087,033
Expenditures chargeable to current year		1,058,333
Over (Under) budget	$	(28,700)

See Independent Auditor's Report.

JOHNSON COUNTY EXTENSION COUNCIL

Schedule 2

GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2017
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

		2017		
	2016 Actual	Actual	Budget	Variance Over (Under)
Cash receipts				
Local sources				
Taxes	$ 748,296	$ 748,296	$ 770,745	$ (22,449)
Kansas State University:				
Salaries paid directly to agents	84,231	81,075	86,528	(5,453)
Educational service fees	188,293	200,680	50,000	150,680
Interest	3,619	3,198	9,080	(5,882)
Capital Outlay Reserve	0	0	20,000	(20,000)
Total cash receipts	1,024,439	1,033,249	$ 936,353	$ 96,896
Expenditures				
Salaries:				
Paid by Council	580,019	586,537	$ 585,769	$ 768
Paid by Kansas State University	84,231	81,075	86,528	(5,453)
Payroll taxes and benefits	123,986	138,803	117,900	20,903
Telephone	3,035	4,119	3,500	619
Printing, audit and treasurer bond	9,764	9,861	9,000	861
Supplies, stationary and postage	9,315	9,907	15,000	(5,093)
Travel	6,080	6,564	13,000	(6,436)
Equipment - auto	22,319	24,026	18,000	6,026
Subsistence	9,231	7,856	4,656	3,200
Miscellaneous	24,462	21,751	13,000	8,751
Educational services	154,569	167,834	50,000	117,834
Capital Outlay Reserve	0	0	20,000	(20,000)
Legal fund budget & expenditures	1,027,011	1,058,333	936,353	121,980
Adjustments for qualifying budget credits	0	0	150,680	(150,680)
Total expenditures	1,027,011	1,058,333	$ 1,087,033	$ (28,700)
Receipts over (under) expenditures	(2,572)	(25,084)		
Unencumbered cash, January 1	336,283	333,711		
Unencumbered cash, December 31	$ 333,711	$ 308,627		

See Independent Auditor's Report.