

SEDGWICK COUNTY EXTENSION COUNCIL
A COMPONENT UNIT OF SEDGWICK COUNTY
Wichita, Kansas

Financial Statements
December 31, 2011

with
Independent Auditors' Report

PETERSON, PETERSON & GOSS, L.C.

CERTIFIED PUBLIC ACCOUNTANTS

417 NORTH TOPEKA AVENUE
P.O. BOX 1259

WICHITA, KANSAS 67201-1259

TELEPHONE 316-262-8371

FAX 316-262-5369

www.ppglc.com

**MEMBER OF THE
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS**

**OF COUNSEL
MARVIN W. NYE, C.P.A.**

MEMBERS
GREGORY B. SEVIER, C.P.A.
JOHN B. GOSS, C.P.A.

PRINCIPALS
VONDA J. WILSON, C.P.A.
DENISE M. GUDENKAUF, C.P.A.
MATT T. HAASE, C.P.A.
JON W. OETTING, C.P.A.

INDEPENDENT AUDITORS' REPORT

Executive Board
Sedgwick County Extension Council
A Component Unit of Sedgwick County
Wichita, Kansas

We have audited the accompanying financial statements of the individual funds of the Sedgwick County Extension Council, a component unit of Sedgwick County, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements 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 Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Council has prepared this financial statement using accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the cash and unencumbered cash balances of each of the various funds of the Sedgwick County Extension Council, as of December 31, 2011, and the revenues received and expenditures paid of such funds for the year then ended on the basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the financial statement. The summary of expenditures-actual and budget, individual fund schedules of cash receipts and expenditures-actual and budget, schedule of cash receipts and expenditures-agency funds (Schedules 1, 2, and 3 as listed in the table of contents) are presented for analysis and are not a required part of the statutory financial statements. 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 financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the 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.

September 26, 2012

Peterson Peterson & Zoss, LC

SEDGWICK COUNTY EXTENSION COUNCIL
A COMPONENT UNIT OF SEDGWICK COUNTY
Financial Statements
December 31, 2011

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Statement 1: Summary of Cash Receipts, Expenditures and Unencumbered Cash	2
Statement 2: Summary of Expenditures - Actual and Budget (Budgeted Fund Only)	3
Statement 3: Statement of Cash Receipts and Expenditures - Actual and Budget: General Fund	4
Special Revenue Funds:	
Foundation Fund - Actual	6
Educational Fund - Actual	8
4-H Achievement Fund - Actual	9
Notes to Financial Statements	10

Sedgwick County Extension Council
A Component Unit of Sedgwick County
Summary of Cash Receipts, Expenditures and Unencumbered Cash
Year Ended December 31, 2011

Funds	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental:						
General	\$ 266,226	\$ 1,331,571	\$ 1,288,081	\$ 309,716	\$ -	\$ 309,716
Foundation	141,956	693,787	363,518	472,225	-	472,225
Educational	245,827	29,612	275,439	-	-	-
4-H Achievement	22,537	5,757	28,294	-	-	-
Total	<u>\$ 676,546</u>	<u>\$ 2,060,727</u>	<u>\$ 1,955,332</u>	<u>\$ 781,941</u>	<u>\$ -</u>	<u>\$ 781,941</u>
Composition of cash:						
Checking and savings accounts - Intrust Bank						\$ 328,912
Certificates of deposit - Intrust Bank						440,878
Checking and savings accounts - Wells Fargo						10,161
Investments - Wells Fargo						1,990
Total						<u>\$ 781,941</u>

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

Sedgwick County Extension Council
A Component Unit of Sedgwick County
Summary of Expenditures - Actual and Budget
Budgeted Fund Only
Year Ended December 31, 2011

<u>Fund</u>	<u>Budget</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Favorable (Unfavorable)</u>
General	\$ 1,351,333 *	\$ 1,288,081	\$ 63,252

* Operating budget approved by Sedgwick County.

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

Sedgwick County Extension Council
A Component Unit of Sedgwick County
Statement of Cash Receipts and Expenditures - Actual and Budget
General Fund
Year Ended December 31, 2011

	Budget	Actual	Variance - Favorable (Unfavorable)
Cash Receipts:			
County appropriation	\$ 1,098,348	\$ 1,098,348	\$ -
Educational Services:			
Educational classes	-	2,442	2,442
General sales	-	24,800	24,800
Grant: E.A.R.T.H.	-	6,749	6,749
Grant: Military 4-H	-	9,156	9,156
Grant: Military 4-H payroll	-	444	444
Grant: WaterLINK	-	65	65
Miscellaneous reimbursables	-	27,055	27,055
Postage and handling	-	2,964	2,964
Sales tax	-	2,014	2,014
Soil testing	-	11,476	11,476
Educational services - unallocated	98,000	-	(98,000)
Total Educational Services	98,000	87,165	(10,835)
Other:			
Interest	-	2,460	2,460
KSU salaries, in-kind	154,492	142,818	(11,674)
Other income	-	780	780
Total Other	154,492	146,058	(8,434)
Total Cash Receipts	1,350,840	1,331,571	(19,269)
Expenditures:			
General:			
Employee benefits and taxes	142,500	156,925	(14,425)
Equipment and auto	29,000	39,548	(10,548)
KSU salaries, in-kind	154,492	142,818	11,674
Agent salaries	513,327	474,504	38,823

Sedgwick County Extension Council
A Component Unit of Sedgwick County
Statement of Cash Receipts and Expenditures - Actual and Budget
General Fund
Year Ended December 31, 2011

	Budget	Actual	Variance - Favorable (Unfavorable)
Expenditures (continued):			
Salaries - support staff	\$ 264,014	\$ 260,474	\$ 3,540
Postage and supplies	31,000	31,314	(314)
Printing, audit, bond, and insurance	13,000	17,231	(4,231)
Rent, heat and light	500	202	298
Subsistence	13,000	10,297	2,703
Telephone	5,000	3,995	1,005
Travel	35,500	29,594	5,906
Total General Expenditures	1,201,333	1,166,902	34,431
Educational:			
Educational program supplies, etc.	52,000	37,042	14,958
Educational services	98,000	84,137	13,863
Total Educational Expenditures	150,000	121,179	28,821
Total Expenditures	1,351,333	1,288,081	63,252
Receipts Over (Under) Expenditures	(493)	43,490	43,983
Unencumbered Cash, Beginning	(847)	266,226	267,073
Unencumbered Cash, Ending	\$ (1,340)	\$ 309,716	\$ 311,056

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

Sedgwick County Extension Council
A Component Unit of Sedgwick County
Statement of Cash Receipts and Expenditures - Actual
Foundation Fund
Year Ended December 31, 2011

	Actual
Cash Receipts:	
G2G Outside	\$ 375
4-H Youth Development	160,899
Endowment FAC	2,440
Foundation administration	3,560
General donations	40
SHICK Program	34,177
4-H Council	76,720
Agriculture	8,085
Interest	873
EFNEP	4,627
Employee fund	1,194
Family Life	890
Horticulture	15,725
Master Gardeners	97,864
Postage	7
Revolving	10,564
Senior Programs	4,361
Sewing	3,954
Walk KS	858
Transfer from 4-H Achievement Fund	24,982
Transfer from Education Fund	241,592
Total Cash Receipts	693,787
Expenditures:	
G2G Outside	1,835
4-H Youth Development	176,817
Employee benefits	3,756
Foundation administration	226
Horticulture	4,076
SHICK Program	38,033
4-H Council	72,865
Agriculture	6,837
EFNEP	1,762
Employee fund	1,446

Sedgwick County Extension Council
A Component Unit of Sedgwick County
Statement of Cash Receipts and Expenditures - Actual
Foundation Fund
Year Ended December 31, 2011

Family Life	\$ 408
Foods and nutrition	45
Horticulture	14,811
Master Gardeners	16,706
Postage	103
Revolving	11,437
Senior Programs	3,272
Sewing	1,638
Walk KS	7,445
Total Expenditures	363,518
 Receipts Over (Under) Expenditures	 330,269
 Unencumbered Cash, Beginning	 <u>141,956</u>
 Unencumbered Cash, Ending	 <u><u>\$ 472,225</u></u>

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

Sedgwick County Extension Council
A Component Unit of Sedgwick County
Statement of Cash Receipts and Expenditures - Actual
Educational Fund
Year Ended December 31, 2011

	Actual
Cash Receipts:	
4-H Council	\$ 10,095
Agriculture	3,122
Interest	310
EFNEP	633
Employee fund	498
Family Life	200
Horticulture	5,874
Master Gardeners	1,906
Revolving	1,099
Senior Programs	127
Sewing	689
Walk KS	5,059
Total Cash Receipts	29,612
Expenditures:	
4-H Council	6,946
Agriculture	2,990
EFNEP	223
Employee fund	46
Foods and nutrition	55
Horticulture	8,891
Master Gardeners	6,673
Postage	26
Revolving	7,115
Senior Programs	26
Sewing	736
Walk KS	120
Transfer to Foundation Fund	241,592
Total Expenditures	275,439
Receipts Over Expenditures	(245,827)
Unencumbered Cash, Beginning	245,827
Unencumbered Cash, Ending	\$ -

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

Sedgwick County Extension Council
A Component Unit of Sedgwick County
Statement of Cash Receipts and Expenditures - Actual
4-H Achievement Fund
Year Ended December 31, 2011

	Actual
Cash Receipts:	
General	\$ 5,757
Expenditures:	
Transfer to Foundation	24,982
General	295
Trips/scholarships	2,500
Other	517
Total Expenditures	28,294
Receipts Over Expenditures	(22,537)
Unencumbered Cash, Beginning	22,537
Unencumbered Cash, Ending	\$ -

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

SEDGWICK COUNTY EXTENSION COUNCIL
A COMPONENT UNIT OF SEDGWICK COUNTY
Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies and Organization

This summary of significant accounting policies of Sedgwick County Extension Council (the Council) is presented to assist in understanding the Council's financial statements. The financial statements and notes are representations of the Council's management, who is responsible for their integrity and objectivity.

Financial Reporting Entity

Sedgwick County Extension Council is a quasi-municipal entity primarily governed by a nine member executive board, formed in 1918 to extend to Sedgwick County citizens research-based information that helps them improve their quality of life. The four core programs consist of food, nutrition, health, and safety; youth, family, and community development; natural resources and environmental management; and agriculture industry competitiveness. Extension services are funded primarily by County appropriations and additional financial support from the Kansas State University. Significant reductions in support from the County or KSU may have an adverse effect on the Council's programs and services. The Council is a component unit of Sedgwick County which is the primary governmental unit.

Basis of Presentation – Fund Accounting

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 types of funds comprise the financial activities of the Council for the year ended December 31, 2011:

Governmental Funds:

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

Special Revenue Funds – To account for the proceeds of specific revenue sources that are restricted by law, administrative action or donor restrictions to expenditures for specified purposes.

SEDGWICK COUNTY EXTENSION COUNCIL
A COMPONENT UNIT OF SEDGWICK COUNTY
Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies and Organization (cont.)

Basis of Accounting

Statutory Basis of Accounting. The statutory basis of accounting, as used in preparation of these financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Cash disbursements are recognized when the cash balance of a fund is decreased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure is charged in the fund from which the transfer is made.

The Council has adopted a waiver from generally accepted accounting principles which allows the Council to report on the statutory basis of accounting.

Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the year in accordance with generally accepted accounting principles. Assets that account for the land, buildings, and equipment owned by the Council are not presented in the financial statements. Also, accrued compensated absences and depreciation are not reflected in the financial statements.

Budgets

Applicable Kansas statutes require that budgets be legally adopted for all funds unless exempted by a specific statute. All budgets are prepared utilizing the modified cash basis further modified by the encumbrance method of accounting, that is, commitments such as purchase orders and contracts, in addition to disbursements and accounts payable are recorded as expenditures. The Council is not a tax-levying authority and is not required to publish its annual budget and hold public budget hearings.

SEDGWICK COUNTY EXTENSION COUNCIL
A COMPONENT UNIT OF SEDGWICK COUNTY
Notes to Financial Statements
December 31, 2011

3. Deposits and Investments

Deposits

At year-end the carrying amount of the Council's bank deposits, including certificates of deposits, for all funds was \$781,941. The bank balances were \$979,719. The differences between the carrying amounts and the bank balances are outstanding checks and deposits in transit. Checking account bank balances were covered by unlimited FDIC insurance. Savings and Certificate of Deposit account bank balances were covered by \$250,000 of FDIC insurance and collateralized by pledged securities of \$725,000.

Investments

Kansas statutes authorize the Council to invest in U.S. Treasury bills and notes, repurchase agreements, and the State Municipal Investment Pool. All investments must be insured, registered, or held by the Council or its agent in the Council's name. The Council's investments are categorized to give indications of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the Council or its agent in the Council's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the dealer bank's trust department or agent in the Council's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the dealer bank. Of the three risk categories, the investments classified in Risk Category 1 have the least risk to the Council.

4. Compensated Absences

The Council does not record accrued compensated absences under the statutory basis of accounting. Employees are entitled to be paid for any unused vacation upon termination and a portion of unused sick leave upon retirement. The Council's liability for accrued compensated absences at December 31, 2011 is \$10,554

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 66603-3869) or by calling 1-888-275-5737.

SEDGWICK COUNTY EXTENSION COUNCIL
A COMPONENT UNIT OF SEDGWICK COUNTY
Notes to Financial Statements
December 31, 2011

5. Defined Benefit Pension Plan (continued)

Funding Policy. K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% (Tier 1) and 6% (Tier 2) of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve bases. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established for calendar year 2011 is 7.74%. The Council's employer contributions to KPERS for the years ending December 31, 2011, 2010, and 2009 were \$17,156, \$15,622, and \$13,558, respectively, equal to the required contributions for each year as set forth by the legislature.

6. Salary Funding

Kansas State University supports the Council by funding a portion of the professional staff salaries. Professional staff of the Council are on the University's payroll and receive the University's employee benefits. The Council reimburses the University for the portion of salaries not funded by the University. University funding of professional salaries was \$142,818 for the year ended December 31, 2011 and has been reflected as in-kind revenue and salary expense in the financial statements.

7. Property and Equipment

Changes in the property and equipment assets during 2011 were as follows:

	Cost
Beginning balance	\$512,703
Additions	30,792
Disposals	<u>(28,332)</u>
Ending balance	<u>\$515,163</u>

8. Foundation Fund

The financial transactions of the Foundation Fund represent the operations of the Extension Education Foundation, Inc., a 501(c)(3) organization formed by the Council in 1999 and initially funded in the year 2000. This fund is a blended component unit of the Council for financial reporting purposes.

9. Risk Management

The Council manages risk primarily through the purchase of insurance coverage from commercial insurers.

SEDGWICK COUNTY EXTENSION COUNCIL
A COMPONENT UNIT OF SEDGWICK COUNTY
Notes to Financial Statements
December 31, 2011

10. Subsequent Events

The Council has evaluated subsequent events through September 27, 2012, the date which the financial statements were available to be issued, and no events requiring disclosure were identified.

11. Compliance with Kansas Statutes

The District was in violation of K.S.A. 9-1402, regarding depository securities for public funds, with bank deposits of District funds being under-secured for a short period during the year.