

**SALINE COUNTY COMMISSION ON AGING**

**FINANCIAL STATEMENT  
AND  
INDEPENDENT AUDITORS' REPORT  
December 31, 2012**

**SALINE COUNTY COMMISSION ON AGING**

**FINANCIAL STATEMENT  
For the Year Ended December 31, 2012**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Saline County Commission on Aging  
Salina, Kansas 67401

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Saline County Commission on Aging, Salina, 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 I 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 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 I of the financial statement, the financial statement is prepared by the Saline County Commission on Aging 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 I 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 the Saline County Commission on Aging 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 Saline County Commission on Aging 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 I.

*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 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. 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 I.

*Woods & Durham, Chd.*

Salina, Kansas  
March 8, 2013

SALINE COUNTY COMMISSION ON AGING  
Salina, Kansas

Summary of Receipts, Expenditures and Unencumbered Cash  
Regulatory Basis

For the year ended December 31, 2012

Funds	Beginning		Cash Receipts	Expenditures	Ending		Add Outstanding		Ending Cash Balance
	Unencumbered Cash Balance	Cash Balance			Unencumbered Cash Balance	Accounts Payable			
General Fund	\$ 185,490	\$ 1,025,810	\$ 1,162,719	\$ 48,581	\$ 90,747	\$ 139,328			\$ 139,328
Senior Resource Fund	27,806	3,286	13,937	17,155	-	17,155			17,155
Total	\$ 213,296	\$ 1,029,096	\$ 1,176,656	\$ 65,736	\$ 90,747	\$ 156,483			\$ 156,483

Composition of Ending Cash Balances:

Checking account	\$ 33,433
Certificates of deposit	122,850
Cash on hand	200
Total	\$ 156,483

The accompanying notes are an integral part of this financial statement.

## SALINE COUNTY COMMISSION ON AGING

### NOTES TO FINANCIAL STATEMENT

December 31, 2012

#### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Saline County Commission on Aging was established by Saline County under the authority of Kansas Statute 19-2678. The mission of the Saline County Commission on Aging (Commission) is to enable older adults to live active and independent lives. The Commission is governed by a twelve-member Board of Directors, all of whom are approved by the Saline County Board of Commissioners.

The accounting policies of the Commission conform to the statutory basis of accounting, as regulated by the State of Kansas, which demonstrates compliance with the cash basis and budget laws of Kansas. The following is a summary of the more significant policies.

##### A. Reporting Entity

The Commission's financial statement includes all of the funds for which the Board of Directors administer and control. The Commission is a component unit of Saline County because Saline County provides a significant amount of funding each year and approves all of the directors of the Board.

##### B. Fund Accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash, receipts, expenditures and unencumbered cash balance. The funds segregate specific activities or certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds were utilized in recording the financial activities of the Commission:

**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 (other than expendable trusts or major capital projects) that are restricted by law or administrative action to expenditures for specified purposes.

##### C. Basis of Accounting

The statutory basis of accounting, as used in the preparation of this statutory financial statement, 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. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are 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 was made.

## **SALINE COUNTY COMMISSION ON AGING**

### **NOTES TO FINANCIAL STATEMENT**

December 31, 2012

#### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

##### **Basis of Accounting (continued)**

The Commission has approved a resolution that is in compliance with KSA 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Commission to use the statutory basis of accounting.

##### **D. Departure from Accounting Principles Generally Accepted In the United States of America**

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash, 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, outstanding debt, 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 fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statement.

##### **E. Budgetary Information**

The Commission does not have tax levying powers and is not required to publish a budget. A budget is adopted annually by the Board of Directors to determine the amount of appropriations to request from Saline County.

##### **F. Cash and Investments**

Cash includes amounts in time deposits and certificates of deposit. Kansas Statute 12-1675 authorizes the Commission to invest in time deposits, certificates of deposit, U.S. Obligations, and certain other investments.

##### **G. Risk Management**

The Commission carries commercial insurance to limit its exposure to the various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Settled claims have not exceeded commercial insurance coverage in any of the past three years.

**SALINE COUNTY COMMISSION ON AGING**

**NOTES TO FINANCIAL STATEMENT**

December 31, 2012

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**H. Compensated Absences**

The Commission is liable for payments to employees for sick pay and vacation pay earned according to Commission personnel policies. This liability is recorded as an encumbrance and is included as an expenditure in the accompanying financial statement.

**I. Estimates**

The preparation of financial statement requires management to make estimates and assumptions that affect the amounts reported in the financial statement and the accompanying notes. Actual results may differ from those estimates.

**J. Post Employment Benefits**

As provided by KSA 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

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. There is no cost to the government under this program.

**K. Subsequent Events**

There are no subsequent events that were identified in procedures performed through March 8, 2013, which also is the date this financial statement was available to be issued.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Cash Basis Law (KSA 10-1113)**

Some special revenue funds have a negative unencumbered cash balance at December 31, 2012. These funds are closed into the General Fund annually.

**III. DEPOSITS – CASH BALANCES**

The Commission does not have any activity in investment-type assets.

## SALINE COUNTY COMMISSION ON AGING

### NOTES TO FINANCIAL STATEMENT

December 31, 2012

#### III. DEPOSITS – CASH BALANCES - continued

Interest rate risk – KSA 9-1401 establishes the depositories which may be used by Kansas governments. The statute requires banks eligible to hold the government's funds have a main or branch bank in the county in which the government 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, KSA 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Commission has no other policies that would further limit interest rate risk.

Credit risk – KSA 12-1675 limits the government'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 Commission has no investment policy that would further limit its investment choices. The Commission's practice is to place idle funds in certificates of deposit.

Custodial credit risk – The custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Kansas Statutes 9-1402 and 9-1405 require that governments obtain security for all deposits. The Commission manages its custodial credit risk by requiring the financial institutions to grant a security interest in securities held by third-party custodial banks.

At December 31, 2012, the Commission's carrying amount of deposits, including certificates of deposit and cash on hand but no investments, was \$156,283 and the bank balance, including certificate of deposits was \$176,351. The difference between carrying amount and bank balance is outstanding checks and deposits. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$500,000 was covered by FDIC insurance and \$108,477 was collateralized with securities held by the pledging financial institution's agent in the Commission's name.

#### IV. DEFINED BENEFIT PENSION PLAN

**Plan Description** – The Saline County Commission on Aging 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.* 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 statement 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.

**SALINE COUNTY COMMISSION ON AGING**

**NOTES TO FINANCIAL STATEMENT  
December 31, 2012**

**IV. DEFINED BENEFIT PENSION PLAN – continued**

**Funding Policy** – K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% for employees hired before July 1, 2009 and 6% for those hired after July 1, 2009 of covered salary. 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 State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas currently contributes 9.17% of covered payroll. These contribution requirements are established by KPERS and are periodically revised. The Commission's employer contributions to KPERS for the years ending December 31, 2012, 2011 and 2010 were \$21,214, \$18,761, and \$18,450 respectively, equal to the required contribution for each year.

**V. ENDOWED FUNDS AT THE GREATER SALINA COMMUNITY FOUNDATION**

The Greater Salina Community Foundation has three funds that relate to activities administered by the Commission. The principal amounts of these funds are not available to the Commission but earnings from the funds may be available to help cover the costs of the programs. These three funds are not reported on this financial statement because they are assets of the Community Foundation.

	<u>December 31, 2012</u>	
	<u>Balance</u>	<u>Available To Spend</u>
Sunflower Adult Day Services Endowed Fund	<u>\$23,441</u>	<u>\$ 40</u>
Salina Meals on Wheels Endowed Fund	<u>\$23,534</u>	<u>\$ 60</u>
Lyle E. & Anna M. Lightfoot Designated Fund	<u>\$58,536</u>	<u>\$2,759</u>

**VI. COMMITMENTS**

The Commission does not own the buildings in which it operates. The Commission leases the Senior Center from Saline County for \$1 per year under a 99 year lease. Seventy-two years remain on the lease. The Sunflower Center is leased from the Catholic Diocese of Salina under a cost sharing arrangement in which the Commission pays 75% of the utilities but no rent. The lease agreement will expire November 14, 2015.

**SUPPLEMENTAL INFORMATION**

SALINE COUNTY COMMISSION ON AGING

Schedule 1

General Fund  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
<b>Cash Receipts</b>			
Saline County appropriation	\$ 322,305	\$ 312,505	\$ 9,800
Grants and contracts	210,817	244,375	(33,558)
User fees	369,244	331,249	37,995
Donations	114,103	121,000	(6,897)
Building use, rent	6,510	6,000	510
Sales of goods and services	2,291	2,000	291
Interest income	528	1,062	(534)
Miscellaneous	12	-	12
<b>Total Cash Receipts</b>	<u>1,025,810</u>	<u>\$ 1,018,191</u>	<u>\$ 7,619</u>
<b>Expenditures and Transfers</b>			
Salaries	375,133	\$ 339,768	\$ 35,365
Payroll taxes and benefits	134,657	124,148	10,509
Program operating expense	44,443	49,139	(4,696)
Contractual services	82,039	83,750	(1,711)
Building and grounds	58,840	56,040	2,800
Area Agency on Aging match	17,347	17,347	-
Designated fund expenditures	2,469	7,575	(5,106)
Senior Citizen Center	7,488	4,300	3,188
Food service	357,861	313,595	44,266
Rural senior citizen support	5,500	5,500	-
Meals on Wheels	5,624	7,500	(1,876)
Transportation	9,319	11,000	(1,681)
Capital expenditures	61,999	10,600	51,399
<b>Total Expenditures and Transfers</b>	<u>1,162,719</u>	<u>\$ 1,030,262</u>	<u>\$ 132,457</u>
Receipts Over (Under) Expenditures	(136,909)		
Unencumbered Cash, Beginning	<u>185,490</u>		
Unencumbered Cash, Ending	<u>\$ 48,581</u>		

The above exhibit was prepared using the basis of accounting which documents compliance with the cash basis and budget laws of the State of Kansas

SALINE COUNTY COMMISSION ON AGING

Schedule 2

Senior Resource Fund  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the year ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
Cash Receipts			
Senior resource fund income	\$ 3,238	\$ 2,000	\$ 1,238
Interest income	48	200	(152)
	<u>3,286</u>	<u>\$ 2,200</u>	<u>\$ 1,086</u>
Total Cash Receipts			
Expenditures			
Senior resource fund expense	13,937	\$ 12,000	\$ 1,937
	<u>13,937</u>	<u>\$ 12,000</u>	<u>\$ 1,937</u>
Receipts Over (Under) Expenditures	(10,651)		
Unencumbered Cash, Beginning	<u>27,806</u>		
Unencumbered Cash, Ending	<u>\$ 17,155</u>		

The above exhibit was prepared using the basis of accounting which documents compliance with the cash basis and budget laws of the State of Kansas