

SEDGWICK COUNTY EXTENSION COUNCIL
A RELATED MUNICIPAL ENTITY OF SEDGWICK COUNTY
Wichita, Kansas

Financial Statements
December 31, 2012

with
Independent Auditors' Report

SEDGWICK COUNTY EXTENSION COUNCIL
A COMPONENT UNIT OF SEDGWICK COUNTY
Financial Statements
December 31, 2012

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Summary of Cash Receipts, Expenditures and Unencumbered Cash	3
Schedule 1:	
Summary of Expenditures - Actual and Budget	4
Schedule 2	
Statement of Cash Receipts and Expenditures - Actual and Budget:	
General Fund	5
Special Revenue Funds:	
Foundation Fund - Actual	6
Notes to Financial Statements	7

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 fund summary statement of cash receipts, expenditures, and unencumbered cash balances - regulatory basis of Sedgwick County Extension Council, 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 1 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 1 of the financial statement, the financial statement is prepared by the Sedgwick County Extension Council 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 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 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 Sedgwick County Extension Council 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 Sedgwick County Extension Council 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 1.

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, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and expenditures-agency funds (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 1.

October 6, 2013

Peterson Peterson & Zoss, LC

A Component Unit of Sedgwick County
 Summary of Cash Receipts, Expenditures and Unencumbered Cash
 Year Ended December 31, 2012

Funds	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental:						
General	\$ 309,716	\$ 1,295,490	\$ 1,139,922	\$ 465,284	\$ -	\$ 465,284
Foundation	472,225	457,520	549,680	380,065	-	380,065
Total	\$ 781,941	\$ 1,753,010	\$ 1,689,602	\$ 845,349	\$ -	\$ 845,349
Composition of cash:						
Checking and savings accounts - Intrust Bank						\$ 494,261
Certificates of deposit - Intrust Bank						348,891
Checking and savings accounts - Wells Fargo						144
Investments - Wells Fargo						2,053
Total						\$ 845,349

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

A Component Unit of Sedgwick County
Summary of Expenditures - Actual and Budget
Regulatory Basis
Year Ended December 31, 2012

<u>Fund</u>	<u>Budget</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
General	\$ 1,247,181 *	\$ 1,139,922	\$ (107,259)

* Operating budget approved by Sedgwick County.

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

A Component Unit of Sedgwick County
 Schedule of Cash Receipts and Expenditures - Actual and Budget
 General Fund
 Regulatory Basis
 Year Ended December 31, 2012

	Actual	Budget	Variance - Over (Under)
Cash Receipts:			
County appropriation	\$ 967,348	\$ 967,348	\$ -
Educational Services:			
Educational classes	5,256	-	5,256
General sales	27,598	-	27,598
Grant: E.A.R.T.H.	18,465	-	18,465
Grant: Military 4-H	9,430	-	9,430
Grant: WaterLINK	759	-	759
Miscellaneous reimbursables	20,377	-	20,377
Postage and handling	2,592	-	2,592
Sales tax	2,012	-	2,012
Soil testing	7,201	-	7,201
Educational services - unallocated	-	125,000	(125,000)
Total Educational Services	93,690	125,000	(31,310)
Other:			
Interest	1,172	-	1,172
KSU salaries, in-kind	134,828	154,492	(19,664)
Other income	1,170	341	829
Transfer from Foundation	97,282	-	97,282
Total Other	234,452	154,833	79,619
Total Cash Receipts	1,295,490	1,247,181	48,309
Expenditures:			
General:			
Employee benefits and taxes	142,205	145,000	(2,795)
Equipment and auto	19,757	12,500	7,257
KSU salaries, in-kind	134,828	154,492	(19,664)
Agent salaries	467,633	466,350	1,283

A Component Unit of Sedgwick County
 Schedule of Cash Receipts and Expenditures - Actual and Budget
 General Fund
 Regulatory Basis
 Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance - Over (Under)
Expenditures (continued):			
Salaries - support staff	\$ 202,528	\$ 217,839	\$ (15,311)
Postage and supplies	19,791	30,000	(10,209)
Printing, audit, bond, and insurance	14,740	14,000	740
Rent, heat and light	-	500	(500)
Subsistence	3,678	3,000	678
Telephone	4,804	4,000	804
Travel	20,981	22,500	(1,519)
Total General Expenditures	1,030,945	1,070,181	(39,236)
Educational:			
Educational program supplies, etc.	34,608	52,000	(17,392)
Educational services	74,369	125,000	(50,631)
Total Educational Expenditures	<u>108,977</u>	<u>177,000</u>	<u>(68,023)</u>
Total Expenditures	<u>1,139,922</u>	<u>1,247,181</u>	<u>(107,259)</u>
Receipts Over (Under) Expenditures	155,568	-	
Unencumbered Cash, Beginning	<u>309,716</u>	<u>-</u>	
Unencumbered Cash, Ending	<u>\$ 465,284</u>	<u>\$ -</u>	

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

A Component Unit of Sedgwick County
 Schedule of Cash Receipts and Expenditures - Actual
 Foundation Fund
 Regulatory Basis
 Year Ended December 31, 2012

	Actual
Cash Receipts:	
Kenya Project	\$ 196
4-H Youth Development	164,389
Endowment FAC	6,817
Foundation administration	3,042
General donations	345
SHICK Program	68,859
4-H Council	95,611
Agriculture	10,175
Interest	574
EFNEP	5,102
Employee fund	1,016
Family Life	701
Horticulture	38,114
Master Gardeners	42,722
Revolving	7,733
Senior Programs	2,829
Sewing	5,255
Walk KS	4,040
Total Cash Receipts	457,520
Expenditures:	
G2G Outside	757
4-H Youth Development	143,234
Employee benefits	2,658
Foundation administration	452
Horticulture	73,206
SHICK Program	48,133
General Donations Expense	200
4-H Council	85,684
Agriculture	10,066
EFNEP	4,430
Employee fund	1,460

A Component Unit of Sedgwick County
 Schedule of Cash Receipts and Expenditures - Actual
 Foundation Fund
 Regulatory Basis
 Year Ended December 31, 2012

Family Life	\$ 1,186
Foods and nutrition	1,415
Master Gardeners	51,587
Postage	119
Revolving	12,247
Senior Programs	4,240
Sewing	5,949
Walk KS	5,375
Transfer to General Fund	97,282
Total Expenditures	549,680
 Receipts Over (Under) Expenditures	 (92,160)
 Unencumbered Cash, Beginning	 <u>472,225</u>
 Unencumbered Cash, Ending	 <u><u>\$ 380,065</u></u>

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

SEDGWICK COUNTY EXTENSION COUNCIL
A COMPONENT UNIT OF SEDGWICK COUNTY
Notes to Financial Statement
December 31, 2012

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 statement. The financial statement 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 encumbrances and residual cash 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, 2012:

Governmental 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 revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

SEDGWICK COUNTY EXTENSION COUNCIL
A COMPONENT UNIT OF SEDGWICK COUNTY
Notes to Financial Statement
December 31, 2012

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

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 of changes in unencumbered cash and investments of a fund resulting from the difference in 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 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 Council 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 Council to use the regulatory basis of accounting.

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.

3. Deposits and Investments

Deposits

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.

At year-end the carrying amount of the Council's bank deposits, including certificates of deposits, for all funds was \$845,349. The bank balances were \$938,370. 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.

SEDGWICK COUNTY EXTENSION COUNCIL
A COMPONENT UNIT OF SEDGWICK COUNTY
Notes to Financial Statement
December 31, 2012

3. Deposits and Investments (continued)

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. All of the investments held by the Council are categorized as Category 1.

4. Compensated Absences

The Council does not record accrued compensated absences under the regulatory 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, 2012 is \$7,874.

5. Defined Benefit Pension Plan

Plan description. The Council participates in the Kansas Public Employees Retirement System (KPERs). It is part of a cost-sharing, multiple-employer defined benefit pension plan as provided by Kansas law. KPERs provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERs issue a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERs (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects: (1) Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers and (2) If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

SEDGWICK COUNTY EXTENSION COUNCIL
A COMPONENT UNIT OF SEDGWICK COUNTY
Notes to Financial Statement
December 31, 2012

5. Defined Benefit Pension Plan (continued)

Funding Policy. K.S.A. 74-419 establishes the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

The difference between the Plan’s actuarial value of Plan assets and the actuarial accrued liability (the unfunded accrued actuarial liability) reported in the Plan’s audited financial statements as of June 30, 2012 and 2011 was approximately \$9.2 billion and \$8.2 billion, which represents a funded status of approximately 59% and 62%, respectively. In the event of a plan termination or employer withdrawal, an employer may be liable for a portion of the plan’s unfunded vested benefits. The Council represents less than 5% of the total contributions into this multi-employer plan.

6. Interfund Transfers

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>
Foundation Fund	General Fund	\$97,282

7. 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 \$134,828 for the year ended December 31, 2012 and has been reflected as in-kind revenue and salary expense in the financial statement.

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.

SEDGWICK COUNTY EXTENSION COUNCIL
A COMPONENT UNIT OF SEDGWICK COUNTY
Notes to Financial Statement
December 31, 2012

9. Risk Management

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

10. Subsequent Events

The Council has evaluated subsequent events through October 6, 2013, the date which the financial statement was available to be issued, and no events requiring disclosure were identified.

11. Compliance with Kansas Statutes

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

Management is not aware of any other statutory violations.