

USE OF COOPERATIVE EXTENSION FUNDS

Section A - Responsibilities and Legal Use of Funds

- A1. Expenditures Approved (General)
- A2. Expenditures Not Approved
- A3. Expenses Approved: Local Extension Unit Agents in New Agent Professional Development
- A4. Non-Appropriated Funds
- A5. Responsibilities of Extension Boards for Extramural Funds
- A6. Uniform Facsimile Signature of Public Officials Act
- A7. Lease-Purchase Requirements
- A8. Local Unit Change Funds Policy (Policy E-25)
- A9. Raffle Policy and Guidelines (Policy E26)
- A10. Principles of Managing Funds for Extension Affiliated Groups
- A11. Local Unit Credit (Procurement) Card and Debit Card Policy

Section B - Preparation of Monthly County Extension Council Financial Statement

- B1. Financial Procedure
- B2. Check the Bank Statement-Secure a copy of each bank statement each month
- B3. Preparation of Warrant Check, KSU 8-8
- B4. Classifying Expense and Posting on KSU 8-6
- B5. Recording Monies Received
- B6. Procedure for canceling an Outstanding Warrant Check
- B7. Preparation of financial Check Sheet, KSU 8-19 or 9-19

B8. Accounting Procedure for Negative Balance

Section C – Local Extension Unit Auditing

C1. Local Extension Unit Responsibilities

C2. Suggestions Concerning Audit - Minimum Requirements

C3. Guidelines for Agreed Upon Procedures and Enhanced Agreed Upon Procedures of Municipalities Not Meeting the Audit Requirements Found in K.S.A. 75-1122

Section D - Federal and State Tax Exemptions

Section E - Collection of Sales Tax by Local Extension Units

Section F – End-of-Year tax instructions for Local Units

Section G - District Agent Salary

USE OF COOPERATIVE EXTENSION FUNDS

SECTION A - RESPONSIBILITIES AND LEGAL USE OF FUNDS

The director of extension is responsible for the approval of all expenditures of Cooperative Extension funds, from whatever source derived, which includes federal, state and county appropriations as well as grants, fees, other any other funds collected by the Local Extension Unit. In the supervision of the expenditure of local extension unit funds, the director of extension relies on the regional extension director, and the regional extension director relies on the local extension unit agents for proper expenditure of these public funds. All extension agents must be familiar with the funds available, the purposes for which they are appropriated and budgeted, and with expenditures which are legitimate and can be approved by the director of extension.

Before a local extension unit can receive tax funds, the director of extension at Kansas State University must certify that the local extension unit is properly functioning and entitled to receive the appropriations provided by law; and the local extension unit then cooperates with the director's duly authorized representative in preparing a proposed budget.

A1. Expenditures Approved (General)

1. Salaries of regularly appointed extension agents, office professionals, and others employed by extension and included in the budget.
 - a. Bi-weekly pay system:
In May, 1994, the State of Kansas began the development and implementation of a new Statewide Human Resource and Payroll System for extension agents in cooperation with Kansas State University. Pay periods begin on Sunday and end two weeks later on Saturday. Paychecks will be issued two weeks later on Friday. If Friday (payday) is a holiday, paychecks will be issued on the closest preceding work day.
 - b. All employees (except agents); clerical, program assistants, janitorial, etc.; receive their total salary from the local extension unit, and all applicable withholdings, i.e., federal and state income tax, Social Security, KPERS, health insurance, etc., are deducted from their checks. Local Units may determine to pay monthly, semi-monthly or biweekly.
2. Travel (mileage and public carrier costs) and subsistence (meals and lodging) expenses of extension agents while on official duty and in conduct of regular project work including approved and scheduled in-service training. Subsistence as provided by state statutes can be paid only when employee is 30 miles or more from official station and stays overnight.
3. Printing of materials in furtherance of extension programs, including required public notices.
4. Telephone, rent, heat, light, and janitor expenses.
 - a. Cell phone/data-enabled portable communication devices.

Local Units can support their staff's need for portable communication in two ways:

Extension owned cell phone/data enabled portable communication devices.

The Extension Council/District may provide a cell phone/data enabled portable communication device and a calling/data plan to extension employees. The IRS says that when an employer provides a cell phone to an employee “primarily for non-compensatory business reasons”, the IRS will treat this as a working condition fringe benefit. The Extension board should adopt a policy with their expectations regarding the employee’s availability to receive and make calls or receive and transmit data. Examples of substantial non-compensatory business reasons include:

- The employee is available to receive and transmit data and/or speak with clients at times when the employee is away from the office.
- The employee’s need to speak with clients at times outside of the employee’s normal workday.

Personal use of an employer provided cell phone/data enabled portable communication device is considered by the IRS a ‘de minimis benefit (value and frequency so small as to make accounting for it unreasonable); therefore it isn’t necessary to require reimbursement for personal use of the employer provided phone/data transmission device.

Sample Policy:

The (Local Extension Unit) will provide a cell phone to extension agents and program assistants and will provide a calling and data transmission plan so that employees are available to speak with clientele and receive and transmit data when the employee is away from the office. The cell phone number and the employee’s email address will be made available to clientele.

Employee allowance for business use of a personally owned cell phone/data-enabled portable communication devices.

The Extension board can reimburse the employee for business use of an employee owned cell phone. According to the IRS, the amount of reimbursement is non-taxable if the allowance qualifies as a “working condition benefit” where, for substantial noncompensatory business reasons, the employee is required to maintain and use their personal cell phone for business purposes. The Extension Board should adopt a policy with their expectations regarding the employee’s availability to receive and make calls or receive and transmit data. Examples of substantial noncompensatory business reasons include:

- The employee must maintain the type of cell phone/data plan coverage that is reasonably related to the needs of extension work.
- The reimbursement must be reasonably calculated so as not to exceed expenses the employee actually incurred in maintaining the cell phone.

The reimbursement for business use of the employee’s personal cell phone must not be a substitute for a portion of the employee’s regular wages.

The allowance is to be paid from the telephone line item of the Extension expense budget.

Sample Policy:

The (Local Extension Unit) will reimburse extension agents and program assistants for business use of an employee owned cell phone in the amount of \$(amount), to be paid (monthly, quarterly, etc.) the employee will need to provide evidence that the amount of reimbursement does not exceed expenses the employee actually incurred in maintaining the cell phone and data transmission plan. The employees are to be available to speak with clientele and receive and transmit data when the employee is away from the office. The cell

phone number and the employee's email address will be made available to clientele.

5. Office supplies, equipment, postage, freight, and express charges on extension materials.
6. Original cost of automobiles, gasoline, oil, repairs, insurance, etc., for operation of automobiles owned by the local extension unit or the state in conducting extension programs.
7. Demonstration supplies, materials, and equipment used in furtherance of extension programs.
8. Cost of local extension unit treasurer's bond, audit and bank charges.
9. Meals for executive board members of the local extension unit attending a called meeting to transact official business.
10. Meals for local extension unit members attending the annual meeting and for program development committee members attending other meetings to plan the extension program.
11. Travel and subsistence (meals and lodging) for delegates officially representing the local extension unit to regional and state meetings of the State Extension Advisory Council called by the director of extension.
12. Registration fees required of extension agents at approved workshops and conferences for extension faculty. Direct purchase of lodging. Registration fees and airfare may be a pre-payment.
13. Honorariums or travel and subsistence (meals and lodging) expenses for the actual judging of extension projects at county, regional and state events other than organized fairs.
14. Excise and sales taxes if state required to pay (hotel, motel, etc.).
15. Social Security and/or Medicare taxes, workman's compensation, unemployment compensation, KPERS, health insurance; and liability insurance for executive board members and/or council members, agents, and other employees.
16. Cost of constructing exhibits directly furthering extension programs.
17. Travel and subsistence (meals and lodging) expenses of volunteers only if substituting for extension agents and participating in extension programs.
18. Honorariums or travel and subsistence (meals and lodging) expenses of non-extension individuals only if participating in approved extension programs.
19. Extension districts are a taxing subdivision and have the power to contract, acquire, hold and convey real and personal property.
20. Travel and subsistence (meals and lodging) of prospective employees to the local extension unit office or other location for the purpose of a job interview.

21. Membership fees in organizations that will help advance educational programs (i.e., chamber of commerce ag committee, community resource councils, etc.)
22. Extension boards can develop policies to provide a meal for members at extension board meetings and to reimburse board members for round trip mileage to attend board meetings. It is not permissible to provide any compensation for services as an extension board member.

A2. Expenditures Not Approved

1. Purchase of buildings for county extension council.
2. Purchase or rental of land for county extension council.
3. College credit or non-credit course teaching which is not a part of the regularly approved extension program.
4. Tuition and other enrollment fees for credit course work or classes including correspondence courses.
5. Transportation excise taxes when exempt (use exemption certificates).
6. Moving expenses of extension employees (in accordance with state statute).
7. Honorariums, judging fees, etc., for extension agents in excess of mileage and subsistence (meals and lodging).
8. Exhibits promoting non-extension work.
9. Travel expenses for commercial purposes which benefit individuals or firms such as purchase of livestock, seeds, etc.
10. Honorariums, travel and subsistence (meals and lodging) expenses for individuals or groups giving talks, demonstrations, musical programs, etc., primarily for entertainment purposes.
11. Grain and seed certification work.
12. Membership fees in organizations, except for those that will help advance educational programs (i.e., chamber of commerce ag committee, community resource councils, etc.)
13. Purchase of gifts, prizes, ribbons, medals, badges of merit, pennants or other insignia even if used in connection with extension programs.
14. Purchase of seed, fertilizer or other materials for distribution to producers or others unless clearly shown as part of an extension program.
15. Travel, subsistence (meals and lodging), tuition or other expenses of members of 4-H clubs, farm organizations or other organizations or individuals in attending camps or courses of instruction in schools or colleges, or for making observation tours or purchasing livestock or

other materials.

16. Wages of 4-H club camp help, such as dormitory and kitchen workers, guides or monitors.
17. Salary advances to part-time extension workers who are to be paid later by another agency.
18. 4-H club premiums or any other premiums or prizes, whether at 4-H fairs or any other fairs.
19. Alcoholic beverages or tobacco products.

A3. Expenses Approved: Local Extension Unit Agents in New Agent Professional Development

1. Mileage and subsistence (meals and lodging): as provided for by state statutes and incurred in official travel will be paid from the state extension budget. (Prior approval must be obtained from the regional extension director.) Required orientation, and new agent training meetings, on a state basis, scheduled by extension administration.
2. Mileage and subsistence (meals and lodging) will be paid for travel to professional development (as assigned by director's duly authorized representative) by the local extension unit.

A4. Non-Appropriated Funds

1. Non-appropriated funds within local extension units are excluded from the regulations prescribed for expending of fund accounts where appropriated Smith Lever federal funds may reside. Non-appropriated funds will be used to identify and track those dollars that come into or go out of local extension unit accounts that are not coming from tax dollars from the local county government or extension district tax appropriation. Non-appropriated funds include any funds, outside of appropriated tax dollars, collected by the local extension unit for extension educational purposes: i.e., fees, gifts, registrations, grants, etc.
2. Non-appropriated funds **cannot be used** for tuition and other enrollment fees for credit course work or classes including correspondence courses.
3. Non-appropriated funds **can be used** to pay agent professional organization membership dues.

A5. Responsibilities of Extension Boards for Extramural Funds

Soliciting Extramural Funds for Extension Programs

Extramural funds are often useful to address new priorities, expand on-going work to new audiences, and to implement new evidence-based practices or applications. However, grant acquisition and management may be costly, and there may be other more beneficial ways to generate resources. To make grants more manageable, several questions must be answered before the local unit decides to pursue a grant and prepare a proposal for submission:

- Is the proposal consistent with the short-or long-term plan of work of the local extension unit?

- What is the cost/benefit of applying for the grant? One aspect of cost/benefit is determined by considering the average award and the percentage of grants made to the total number and value of proposals received. Then, consider the approximate cost to prepare the proposal.
- How closely does the local extension unit come to the type of organization the source has historically funded? If national and statewide organizations have received most previous awards, a grassroots/community-based group may have difficulty meeting the expectations.
- What kinds of strings (e.g. reporting requirements, marketing expectations, etc.) are attached as conditions of grant support?
- What type of management plan (staffing, fiscal, communication, reporting, etc.) is required to complete the objectives of the grant within the time frame allowed?
- Assess local ability to perform based upon the capabilities of the local unit as well as the adequacy of the grant funds.
- Will financial and human resources be sufficient to meet all responsibilities, or will already over-committed staff be stretched even further? Grants provide for expanded services, efforts, and research. They should not be used to support existing infrastructure or to “bail-out” other budgets.
- What expectations will have been established in the community when external support ends? Will a necessary service be established that has little likelihood of continuing? While there may be an expectation that the program will continue, there must be an honest appraisal of the local extension unit’s capacity to offer the program after grant funds run out.

Considerations for Effective Grant Management

There are many considerations for effective grant management in determining whether a local extension unit or Kansas State University is the appropriate entity to administer the grant.

Local units may be able to compete more effectively for some grants than Kansas State University. Local visibility is enhanced when the local extension unit is seen as a positive, contributing local agency. The local unit can use local hiring and purchasing procedures and can determine salaries and wages based on local wage scales. Local units may be able to charge indirect costs if they have an approved policy and if the granting agency will pay these costs.

There are also advantages for processing grants through Kansas State University. KSU can assist with cash flow and can also assist with local expenditures through use of a KSU procurement card. KSU would be responsible for audit expectations and is already familiar with grant accounting procedures and documentation requirements for match, if required. KSU procedures include appropriate consideration and protection of publication and intellectual property rights. There are other considerations important to the administrative management decision process. Local units must still meet grant expectations if the principal investigator leaves before the project is finished. Proposals funding multiple local unit or local unit blocks make it necessary to determine the lead local extension unit to receive and monitor the funds if the grant is not administered through the university. If involvement of a content specialist is necessary, the local unit may need to enter into a sub-contract, reimbursement process or memorandum of understanding in order to accomplish the objectives outlined in the proposal.

To facilitate the decision process, a [Responsibilities for Extension Local Unit Administration of Extramural Funds Form \(PDF\)](#) will be completed by the local unit extension director, extension board, and regional director during the very initial stages of the process. After completing the checklist, the parties determine whether the funds are best administered through the local extension unit or the university.

Procedures Regarding Grants and Contracts

The local unit extension director, the extension board, and regional director, representing the director for extension, assess a proposed project's compatibility with priority programs when considering whether to seek outside funding and discuss how to manage the funds if an award is granted. This process includes evaluating the feasibility of achieving expected outcomes and how or if the program will be funded after the grant ends.

- Proposals for grants affecting the local extension unit, including cooperative projects involving grants received and managed by other agencies, should be reviewed, and approved by the local unit director, extension board and regional extension director prior to submission.
- Grant administration (whether through the local unit or processed through Kansas State University) will be determined after careful consideration of administrative responsibilities during the discussion of the proposal. For any grant submission in excess of \$3,000, the local unit director, extension board and the regional director will jointly make this determination and will all sign the [Responsibilities for Extension Local Unit Administration of Extramural Funds Form \(PDF\)](#).
- When the local extension unit is responsible for the grant (including but not limited to signing vouchers, signing checks, hiring, and terminating grant-funded county employees [county hires, not KSU employees] and reviewing accountability reports), the regional director will review all financial reports monthly to provide additional accountability.
- The local unit extension director will present the regional director the following reports for each grant awarded: details on each voucher/check, monthly budget-to-actual report, monthly itemized category report, and programmatic report.
- When the grant will be administered by the local extension unit, the proposal should clearly state that the award will be made to the local extension unit and not made to "Kansas State University" nor "K-State Extension."

Use of the K-State Extension Excellence Fund

If a grant funder requires the grant recipient to be a 501(c)(3) designated organization, the Kansas State University Foundation Extension Excellence Fund (D29540) can serve as the recipient depository. Funds will be distributed through the KSU Foundation upon written authorization on an expense reimbursement basis.

Grants, contracts, and other sources of extramural funds are, and will continue to be, important contributors to budgets, research, and educational programs of local extension units. K-State Extension supports appropriate pursuit of grants that align with local and statewide priorities.

A6. Uniform Facsimile Signature of Public Officials Act

The State of Kansas laws authorizing extension councils and districts, require the signature of the board chair, secretary and treasurer to issue warrant checks for the payment of authorized expenditures. Some local units have asked about the possibility of using facsimile signatures to expedite the payment of expenditures when all three board officers are not available, or when checks need to be issued between board meetings. It has been determined by our University General Counsel that local unit extension boards could rely on the [Uniform Facsimile Signature of Public Officials Act \(PDF\)](#) for the purpose of satisfying the signature requirement. The treasurer's manual signature is still required, but by filing a notary public certified copy of the manual signature of the board chair and secretary with the Kansas Secretary of State, it is possible to use a facsimile signature of those two officers on the warrant checks.

Boards wanting to use facsimile signatures may obtain the form that needs to be filed from the Kansas Secretary of State's office. A separate form is necessary for each officer.

https://www.kssos.org/forms/business_services/MN.pdf

Completed forms can be mailed to:

Kansas Secretary of State
Docking State Office Building
915 SW Harrison Street
Topeka, KS 66612

A7. Lease-Purchase Requirements

In order to meet requirements of the Cash Basis Law, local extension units should use the following statement in any written agreements for all lease-purchase situations:

The _____ (insert name of local Extension unit) is only obligated to make payments from funds budgeted and appropriated for that purpose during the current fiscal year, pursuant to K.S.A. 10-1116b. The _____ (insert name of local Extension Unit) obligation to make any payments will constitute a current expense, and must not be construed to be a debt of the _____ (Insert name of local Extension unit) in contravention of applicable constitutional and statutory debt limitations.

A8. Local Unit Change Funds Policy (Policy E-25)

Authorization: Extension unit change funds are authorized as a necessary component of KSA 2-616

Creation: The change fund must be approved by the extension unit board and the director of extension (KSA 2-615). The minutes must contain the purpose of the change fund (*i.e., Scenic Office Change Fund*), the designated custodian of the change fund, the supervisor of the change fund, the amount of the change fund, and the duration of the change fund. The change fund should be established for a fixed term, or reauthorized each year by the extension board at the January organizational meeting. The maximum amount in any change fund will not exceed \$300.00. There can be multiple change funds for different events with differing amounts and duration. (*See fund authorization form KSU 8-44a(PDF).*)

Operation: Issue a check to Cash with the extension unit's bank. Provide a secure lockable location for the fund. Only the designated custodian of the fund should have access to the fund. Under NO circumstances can any payment be made from this fund. The supervisor and custodian should verify the Change Fund monthly and include the verification form with the Monthly Financial statement (*just like is done with a bank or savings account statement – see fund reconciliation form KSU 8-44b(PDF).*)

Reporting: Record the check issued to the change fund as a 'Transfer to Savings', create new savings account with an identifying account name (*such as Scenic Office Change fund or Walk KS Change fund*). This will cause the change fund(s) to be listed on the Summary Page along with the savings accounts).

Closing: Deposit the fund in the regular checking account, record as a Transfer from savings.

Restoring lost funds. Any loss from the change fund must be reported to the local unit board and to the director for K-State Extension's representative.

A9. Raffle Policy and Guidelines (Policy E26)

Due to the recent changes in 2015 Kansas law, it is now possible for nonprofit and education entities to conduct raffles. Refer to the [Kansas Raffle Amendment SCR 1618](#) for state statute requirements.

A raffle has three components: prize, consideration (ticket cost) and chance (luck). If a raffle is held, it must be conducted under the following conditions and policy. Raffles must be transparent and open, so there is no question that the raffle is above board. There also must be an equal chance for winning and equity for everyone who purchases a ticket.

- The extension board must agree to support the conducting of raffles. The extension board may opt in or out of conducting raffles at any time, by passing a motion noted in the official minutes. See *Raffle Application Form KSU 8-45a*.
- The group conducting the raffle must be an extension unit-affiliated group, e.g., 4-H club or project group, Master Gardeners, etc.
- Any group that wishes to conduct a raffle must first submit an application.
- All raffles must be approved by the extension unit prior to conducting of the raffle. Since boards meet once per month, groups wishing to conduct a raffle must allow sufficient time for approval.
- Groups must specify in the application the primary purpose of the raffle and how the money will primarily be used.
- Groups that begin a raffle process (including selling tickets) prior to board approval will be required to cancel the raffle and return all monies collected.
- All raffle tickets must be pre-printed with a numbering system, e.g., 001 to 1,000. No hand numbering of tickets is allowed.
- All raffle tickets must have a pre-numbered ticket stub and matching ticket number. Tickets may be perforated, so the stub may be separated easily from the ticket. The ticket must be given to the person buying the ticket at the time of sale, and the stub with contact name and information must be retained for the drawing.
- Unsold tickets must be collected and returned to the raffle coordinator within seven days after the raffle is conducted. A log must be used to keep track of the numbers of tickets issued and to whom they were issued for accounting purposes. See *Raffle Final Report form KSU 8-45b*.
- The raffle ticket must include the following information: name of raffle sponsor, (e.g., Clover County Master Gardeners), the word raffle on the ticket, cost of the ticket, date of the raffle drawing, prizes to be given away, whether or not person must be present to win (generally not necessary), contact name, phone and e-mail for winning list of prizes, and location of the raffle if it is occurring at a particular event. (*See sample of ticket and ticket stub, KSU 8-45c*).
- Ticket stub must include the following information: name of raffle sponsor, (e.g., Clover County 4-H Council), the word raffle on the ticket, cost of the ticket, date of the raffle drawing, space for name, mailing address, phone number and e-mail of the purchaser, so they may be contacted to collect the prize.
- For the drawing of ticket stubs, a large container must be used so the ticket stubs can be thoroughly mixed. A wire cage with an opening door is desired, so that the tickets can be mixed additionally between drawings.
- Any person who is sponsoring or closely affiliated with the raffle may not draw the winning ticket(s).
- Final accountability of the raffle must be submitted within 10 days after the raffle to the extension unit.

A10. Principles of Managing Funds for Extension Affiliated Groups

4-H Clubs/Groups, Master Gardeners and other groups under the jurisdiction of K-State Extension who receive and dispense funds, including donations, registration fees, etc. must follow the Principles of Managing Funds for Extension Affiliated Groups.

Extension Boards/Governing Bodies are not to manage the funds of FCE groups, livestock marketing groups, and marketing clubs.

Junior livestock auction sales monies are to be managed by the Fair Association/Board or a committee/third party so designated by the Fair Association/Board rather than the extension Board or one of its affiliated groups.

Principle #1: Accountability for all Funds/Accounts

All Accounts and all expenditures of funds of the local extension unit, from whatever source derived, are subject to approval of the extension board and the director of K-State Extension. The director and local extension boards are accountable for all funds generated for extension programs. This includes all funds collected/raised in the name of Extension 4-H Clubs.

Principle #2: Two Signatures Required

While banks do not require this practice, for extension financial management practices, all accounts should require two signatures for writing checks. Extension employees may not be signatory on any fund accounts. Those that are signatory on accounts should not be family members.

Principle #3: Receipt all Financial Transactions

All funds should be receipted each time they change hands (i.e., at time of collection from payee, from the financial institution upon deposit, between any individuals to whom funds are transferred). Receipts should be available on request.

Principle #4: 4-H Accounts and the IRS

All extension affiliated entities must have their own employer identification number from the Internal Revenue Service, and, all 4-H Club/Group accounts must be included in the data base of approved clubs/organizations maintained by the Kansas State University Department of 4-H Youth Development.

Principle #5: Financial Reviews

All local extension affiliated groups including 4-H Clubs, are included in the tax reporting jurisdiction of local extension boards and must have their financial records reviewed annually by the local extension board. The local extension unit board should approve the review form and note in the minutes the name of the club/group of each approved financial review report.

4-H Clubs/Groups not listed in the 4-H Department database and not undergoing an annual financial review by the local extension board – or any other account not in compliance with this principle:

- will not be considered a formally authorized club/group/affiliate,
- will not be considered a charitable organization according to the IRS,
- must not accept donations as tax-deductible,

- will be subject to reconsideration of the privilege of using the 4-H name and emblem, and
- will be responsible for registering and reporting as a “for-profit” business, subject to all associated tax filing and reporting responsibilities.

A11. Local Unit Credit (Procurement) Card and Debit Card Policy

Credit Cards (aka Procurement Cards)

Extension Councils/Districts may use credit cards within usage guidelines set forth in this policy. These guidelines have been developed from best practices for credit card use developed by the Kansas Legislative Division of Post Audit.

The purpose of the procurement card is to establish a more efficient, cost-effective method of purchasing and paying for transactions within established usage limits.

Recommended card maximum spending limits are \$5,000 per transaction and \$10,000 monthly.

The card can be used for in-store purchases as well as mail, phone or fax orders. The procurement card can be used to reduce purchase orders, payment vouchers, charge accounts and the use of personal funds reimbursed by payment vouchers.

1. Credit cards should only be obtained through extension board authorization. Any local guidelines developed that are beyond the scope of this policy should be in writing and readily available to staff and the board.
2. Each card user should have a separate credit card identification code or account.
3. Cards will be assigned an expenditure dollar limit applicable for a 30-day billing cycle.
4. Original receipts **must** be submitted to document each purchase. Credit card purchases must be reviewed and approved by someone other than the employee making the purchase. All purchases must be approved by the local unit extension director. Purchases by the local unit director must be reviewed in detail by a designated board member.
5. When making purchases, be sure to remind the vendor of the Extension Council’s/District’s tax-exempt status.
6. Gasoline purchases are allowed for extension vehicles only. Gallons of gas purchased and the cost is to be recorded and vehicle use documented in a vehicle mileage log. See the *Preferred Vehicle Log for Local Units KSU 8-36*. Gas purchase receipts should be reconciled with the vehicle log by someone other than employee making gas purchases.
7. Credit cards may be used for employee’s business-related lodging expense. Employees’ meals, beverages, or other non-business related expenses associated with overnight travel **cannot** be paid with the credit card.

8. Credit cards can be used for meals for extension-related events.
9. Unauthorized purchases will result in severe consequences. Possible actions could include and of the following:
 - a. Verbal warning.
 - b. Loss of credit card privileges for a specific period of time or permanently.
 - c. Written warning added to the employee's personnel file.
 - d. Termination of employment and possible civil and/or criminal prosecution for suspected serious infraction of policy and violation of law.
10. Card Users must sign a statement saying they are familiar with the credit card policies. A copy of the policies signed by each cardholder should be kept on file.

Debit Cards

Debit cards are not allowed for local Extension financial transactions.

SECTION B - PREPARATION OF MONTHLY COUNTY EXTENSION COUNCIL FINANCIAL STATEMENT

B1. Financial Procedure

1. State extension laws provide the treasurer the authority to pay out funds of the local extension unit by a combination warrant check signed by the chairperson and secretary. This can happen at any time with the treasurer reporting the expenditure on the monthly treasurer's report. The board can then accept/approve the treasurer's report for all expenditures occurring since the last treasurer's report.
2. Boards can utilize electronic fund transfers to pay regularly occurring bills and direct deposit of employee payments. The approval process for these payments is the same as issuing a warrant-check. Special forms are available on the Employee Resources website for authorization of those payments.
3. **Maintain a finance folder for each month in the files.** Keep all invoices, deposit slips, canceled warrant checks, bank statements, savings account statements, monthly financial statements, and other financial records in these folders.
4. Maintain only one checking account (not including limited checking or savings accounts) for the local extension unit. Deposit promptly all funds received. In the preparation of the monthly financial statement, EFAP filed KSU 8-7a and KSU 8-7b, "County/District Extension Financial Statement-Summary and Receipts", record all funds deposited during the month.
5. Receipt all funds received, (checks or cash). Use the standard receipt book, KSU 8-12, available for purchase from the KSE Bookstore. The total of receipts issued must equal amount deposited. Mark any receipts in error as "void". Leave both copies in the receipt book. The receipt book is used only for local extension unit receipts.

6. Check the invoices for items purchased to determine if they are itemized and correct.
7. Prepare warrant checks for payment of invoices at the close of each month. NEVER PAY WITH CASH.
8. Monthly financial statements, canceled warrant checks, deposit slips, bank statements (checking and savings), receipts and invoices should be retained for five years. The December statement is considered an annual statement and should be filed permanently.
 - a. The Following items are to be maintained for five years:
 - (1) Budgets
 - (2) Director's Certificate of Proper Functioning
 - (3) Certificate of Filing (KSU 8-2)
 - (4) Certificate of Appropriation (KSU 8-3)
 - (5) Financial Records (deposit slips, monthly bank statements, canceled vouchers, monthly financial reports – January to November inclusive)
 - (6) Public notices of elections and annual meetings (KSU 8-23, KSU 8-24, KSU 8-24a)
 - (7) Published budgets
 - (8) Employment agreements
 - (9) Annual Civil Rights Update (CR-1)
 - b. The following items are to be maintained permanently:
 - (1) List of council members (KSU 8-4) or District Governing Body and PDC members (KSU 9-4) and the Member Record (KSU 8-15).
 - (2) December Financial Statement (EFAP forms KSU 8-6, KSU 8-7, KSU 8-9)
 - (3) Minutes of Board meetings
 - (4) Memorandum of Understanding
 - (5) Annual Action Plan Outcome Reports (found in PEARS)
 - (6) Auditor's Reports
 - (7) Transfer of Property
 - (8) On-site Civil Rights Compliance Review forms (CR 1-2)
9. The following items should be mailed to the Extension Auditor, KSRE Business Office, Waters Hall, Manhattan KS 66506, by the 10th of each month:

One (1) legible copy of KSU 8-6, "County/District Extension Financial Statement-Expenditures".

One (1) legible copy of KSU 8-7, "County/District Extension Financial Statement- Receipts and Summary".

One (1) copy of each charge slip for procurement cards and charge accounts.

One (1) copy each of banking and savings statements.

One (1) copy of each change fund reconciliation.

One (1) copy of all itemized deposit slips.

One (1) copy of each KSU 1-14 Electronic Fund Transfer authorization.

One (1) copy of each warrant check.

One (1) copy of KSU 8-9 Non-Appropriated Funds (Ed Services) Subsidiary Ledger”.

10. KSU Forms 8-6 and 8-7 should be legible and formatted like the standard forms. Copies may be made on a copy machine.
11. After reviewing, the KSE Business Office will post the KSU 8-6 and KSU 8-7 to the KSE Online Financial Documents webpage.

B2. Check the Bank Statement – Secure a copy of each bank statement each month.

1. Check the bank statement to determine if any warrant checks issued for previous months have not cleared the bank. If there are any, list them in columns i and j of EFAP form KSU 8-7a, “County/District Extension Financial Statement- Summary”. The total shown on line 16a, column j, should be transferred to line 16, Summary.
2. Determine if there are any additional bank debit items, such as debit slips for a bank service charge or no fund check which was deposited. Two copies of all debit slips are needed. The amount of each debit item should be recorded on the financial statement in the same manner as warrant checks.

A bank debit slip for a service charge is an expense item and should be recorded in the Miscellaneous column of EFAP form KSU 8-6, “County/District Extension Financial Statement- Expenditures” and included in the totals on lines 19A and 19 of KSU 8-7a, “County/District Extension Financial Statement- Summary”.

3. An insufficient fund check originally received for a sale or for a non-appropriated fund receipt is recorded as a non-appropriated fund item and should be recorded in that column, KSU 8-6, “County/District Extension Financial Statement- Expenditures”, and included in the total on line 19 of KSU 8-7a, County/District Extension Financial Statement Summary”.
4. Check the deposit slips against the bank statement for deposits made during the month.

B3. Preparation of Warrant Check

1. Three copies of the warrant check will be prepared – an original and two non- negotiable copies. The first non-negotiable copy is sent to the Extension Business Office for review. Attach to the second non-negotiable copy the original invoice. This copy is then filed in the monthly finance folder. All warrant checks will be numbered consecutively. Payments may also be made by electronic funds transfer (EFT). The process is the same as payment by a warrant check.
2. The items on each warrant check should be classified according to budget classes (column 1 thru 12). The warrant check description should indicate the item purchased or the purpose of the expenditure. Detailed itemization will not be shown on the warrant check. The original invoice will be attached to the second non-negotiable copy of the warrant check. The following statement **MUST APPEAR** on

each warrant check:

“Audited and approved as correct, due and unpaid:

Signed _____
Local Unit Extension Director

The above statement on the warrant check should be signed by the local unit director before being presented to the extension board for approval.

3. The warrant checks for payment of invoices should be dated the last day of the month.
4. Hourly employees must show the purpose, the number of hours worked, the rate per hour, and the total.
5. **All** extension agents must use the Travel Payment Voucher KSU 8-17 to present their claims for subsistence (meals and lodging), travel and miscellaneous reimbursement to the executive board. Educational Program Support (miscellaneous) expenses claimed on form KSU 8-17, should include items such as taxi, registration fees, and other costs connected with travel.
6. In preparing the warrant check for the agent’s subsistence (meals and lodging) and travel expenses, use a warrant check separate from the salary warrant check and attach the KSU 8-17 form (must be signed by the local unit director) to the warrant check before presenting to the extension board treasurer for approval. The warrant check must carry the following statement: “per form KSU 8-17”.
7. Warrant checks in payment of equipment, such as computers, copy machines, etc., must include the serial number of the equipment.
8. Local extension units are exempt from state sales tax and federal excise tax. Use proper tax exemption certificates when necessary (Section D).

B4. Classifying Expense and Posting on KSU 8-6

The following recommendations are made for recording warrant checks under the appropriate budgeted column on EFAP form KSU 8-6:

Column 1: Printing, Audit, Bonds, Liability Insurance

1. Public notices in newspaper.
2. Advertisements in newspapers (help wanted, etc.).
3. Printing of newsletters and extension newspapers.
4. Audit of local unit financial business.
5. Treasurer’s bond (for largest amount expected to be on deposit during the year).
6. Liability Insurance for executive board and Program Development Committee members, employees, and volunteers.

Column 2: Telephone

Enter only expenses paid for telephone services, cell phone stipends, internet fees, and wireless access.

Column 3: Rent, Heat, Light

1. Rent on extension office space.
2. Water, heat, electricity.
3. Janitorial service (contracted).
4. Rent for meeting rooms (schools, churches, public buildings, etc.)

Column 4: Supplies, Stationery, and Postage

1. Paper, notebooks, envelopes, copy charges, and other office supplies.
2. Film and development of film.
3. Stamps, post office box rent, and postage meter rent.
4. Shipping costs for supplies, etc.
5. Other commodities and equipment costing less than \$500.00.

Column 5: Equipment, including Auto Exchange

This classification is for the purchase of items costing \$500 or more, and expected to be useful for two or more years. All equipment valued at \$500 or more must be recorded on the annual inventory (except services and repairs).

1. Office furniture and fixtures.
2. Computers, telephone, ca; copiers, and other office equipment.
3. Cameras, lenses, flash attachments, tripods, projectors, TV, video equipment, screens and other photographic items.
4. Sewing machines, shears, portable scales, and other equipment.
5. The original cost of the vehicle (may be a shared expense with column 12, Capital Outlay), less trade-in allowance.
6. Service contracts on equipment, repair of equipment (do not show on inventory).

Column 6: Educational Program Support (Miscellaneous)

1. Expenses for annual meetings, board meetings, and PDC meetings including meals.
2. Subscriptions to magazines and newspapers for office use, books costing less than \$200, and items purchased for demonstration purposes.
3. Bank service charges, penalties, etc.
4. Insurance on property and equipment other than automobiles.
5. Non-travel and non-subsistence expenses of delegates and agents, judging fees and mileage.
6. Registration fee for extension training for county personnel.
7. Marketing items to support the local unit marketing plan. Direct purchase of clothing used to brand KSE local unit can be considered a marketing expense (technically, the purchased clothing is the property of the local unit).

Column 7: Travel

1. Vehicle operation costs, including gasoline, oil, tires, repairs, and insurance.
2. Mileage or public carrier fare for agents (claim must be submitted on form KSU 8-17).

Column 8: Subsistence (meals and lodging)

Daily subsistence as provided by Kansas statutes and submitted on the Travel Payment Voucher KSU 8-17 can be paid on travel away from official headquarters (must be more than 30 miles from official headquarters and stay overnight). There are limited circumstances where meal reimbursement is allowed when there is no overnight travel. See KSE's Travel Policies webpage.

Column 9: Salaries

1. Salaries of local unit agents, office professionals, and others employed by local extension units. The following should be included:
 - a. Net salaries to employees (the actual amount shown on the warrant check).
 - b. KSU checks to agents.
2. * State and federal withholding tax, Social Security, and/or Medicare, but only the exact amount which was withheld from employees.
3. * Kansas Public Employees Retirement Systems (KPERS), health benefits when paid, but only the exact amount which was withheld from employees.
4. * Any other amount which has been withheld from an employee and is paid to another agency (United Way, etc.).
5. The KSU invoice shows the portion of local unit agent's salary which will be entered on EFAP form KSU 8-6 each month.

When items, denoted by *, are withheld from a salary which is classified non-appropriated funds, they should be recorded as non-appropriated funds when paid.

Column 10: Employer's Contribution

1. *All payments to Social Security and Medicare, other than the amounts withheld from employees' salaries, excluding penalties.
2. *All payments to KPERS, other than the amounts withheld from employees' salaries.
3. *Worker's Compensation Insurance.
4. *Unemployment taxes and insurance.
5. *Health benefits, other than the amounts withheld from employees' salaries.
6. The KSU invoice will show the local extension unit portion of agent's benefits

When items, denoted by *, are withheld from a salary which is classified non-appropriated funds, they should be recorded as non-appropriated funds when paid.

Column 11: Non-Appropriated Funds (Ed Services)

Local units may collect fees for specific services which require special equipment or personnel such as a soil testing service and other educational services when approved by the director of extension. All such receipts and expenditures must be provided for in the budget and entered on the local extension unit monthly financial statements.

EFAP form KSU 8-9, “County/District Extension Financial Statement- Non-Appropriated Funds (Ed Services)”, is to be used for the records of all non-appropriated fund accounts which are maintained locally and approved by the director of extension. A local unit can maintain as many different sub-accounts as desired to identify and track the various sources of non-appropriated funds being received into or expended out of the local extension account.

There are IRS requirements for providing a 1099 form for total cumulative value of prizes/gift cards or other payments to an individual when the cumulative value exceeds \$600, thus requiring individual tracking of all expenditures for prizes and gift cards during the calendar year. If fees or sponsorships for ribbons are received into the non-appropriated funds line item, then purchase of ribbons would be an accepted expenditure if expended in the non-appropriated funds line item as a non-appropriated expenditure.

Extension Councils and Districts are instrumentalities of the State of Kansas and as such, are not subject to federal income tax or required to file federal income tax returns. Donations to extension councils or district to support educational programming, including the work of Master Gardeners, Master Food Volunteers, 4-H Youth Development Clubs, or other educational programming, may be tax deductible and should be deposited into the local extension unit account in the non-appropriated funds line item. An annual charitable donation receipt is mandatory if a donor has donated a cumulative amount above \$250 (in cash or kind), and seeks a deduction from their federal income tax for charitable contributions. Please refer to the **Tax Issues for Local Extension Offices** for additional information.

1. **Cost Recovery:** (fee account) Money collected to cover costs associated with educational activities (e.g., registration fees, sponsor fees, soil/forage test fees, and sales of tangible personal property to other tax-exempt organizations). These monies would then be used to pay for educational expenses such as meals, speaker fees, facility and equipment rentals, handouts, reimbursements, etc.
2. **Sales:** (sales of tangible personal property) Money collected from the sale of items purchased for resale (e.g., farm account books, Walk-Kansas t-shirts, for sale publications, radon test kits, etc.). *Note:* These transactions would generally require sales tax to be collected and paid to the Kansas Department of Revenue.
3. **Grants:** Generally, includes program funds dedicated to a specific program or program area with expectations for certain objectives or program deliverables to be accomplished (e.g., items related to program supplies, administrative overhead, salaries and benefits included in the grant). Expenses from each grant should be tracked separately. *Note:* An [Extramural Funds Approval form \(KSU 1-13\)](#) should be completed by the board for each grant.
4. **Gifts:** Generally, includes donations from individuals or businesses without expectations for specific program deliverables (e.g., individual donations, contributions from businesses) *Note:* Please refer to **Tax Issues for Local Extension Offices** for more information regarding recommended practices for record keeping and acknowledgement of donations.

Sub-Accounts for Non-Appropriated Funds

Each non-appropriated fund sub-account should be in one of the four non-appropriated fund categories of Cost Recovery, Sales, Grants or Gifts and sub-accounts should be designated by the name of the sub-account, e.g.:

Cost Recovery: Health programs; 4-H Camp; soil tests, etc.

Sales: Radon test kits; account books, etc.

Grants: Nutrition; KidZone; TechWiz, etc.

Gifts: 4-H program; FCS program; donations for general use, etc.

Funds deposited for non-appropriated fund accounts are to be recorded on the EFAP KSU 8-7b, and 8-9 report form. The date of deposit is recorded in the date column.

Complete the necessary KSU 8-7b, and 8-9 form before preparing KSU 8-6 and KSU 8-7a.

Record each non-appropriated fund (ed services) expenditure on KSU 8-6 and the 8-9 form.

Column 12: Capital Outlay (Equipment Replacement)

1. Equipment (including auto exchange) that is paid from reserve funds.
2. Other items specifically designated by the extension board to be paid from Capital Outlay (equipment replacement) Funds.

B5. Recording Monies Received

1. All monies received must be receipted and deposited in the regular checking account. This includes county and district appropriations, non-appropriated funds receipts, and interest on savings. *NOTE:* Do not deposit directly into savings accounts.

On EFAP form KSU 8-7b, all deposits, except transfers from savings, will be recorded in column C, and in either D, E, or F.

- a. County and district appropriations will be recorded in columns C and D.
 - b. Non-appropriated fund receipts from cost recovery, services, grants and gifts will be recorded in columns C and E
 - c. Sale of items which were originally purchased or paid for from the local extension unit's appropriated funds will be recorded in columns C and F.
 - d. Interest will be recorded in columns C and F.
2. Savings accounts must be approved by the extension board, and recorded in the minutes.
 - a. To transfer monies to savings accounts:
 - (1) Can be made by warrant check or electronic transfer.

- (2) Record in column 14 on Form 8-6.
 - (3) Record in Savings Account Record of Form 8-7a.
 - (4) Do not add as an expenditure.
- b. To transfer monies from saving accounts:
- (1) Treasurer requests transfer or redemption, and deposit to the checking account.
 - (2) Record on Form 8-7b (date in column A, the words “Transfer from Savings, Certificates of Deposit, etc.” in column B, and the amount in column H). Do not show as a deposit in column C.
 - (3) Record on line 8, Form 8-7a, column O.
 - (4) This transfer will show as a deposit on your bank statement.
- c. To record interest from savings accounts: certificates of deposit, money market certificates, or other time deposits.
- (1) Deposit all interest into the regular checking account.
 - (2) Record on Form 8-7b, in columns A, B, C, and F.
 - (3) Record on Interest Earned, Form 8-7b, in the month in which the interest was received and deposited in the checking account.
 - (4) Do not add the interest to the savings balance.
 - (5) Interest should not be shown as collected until it is deposited into the checking account. Interest should be deposited at least once a year.
- d. Changing the regular checking account from one bank to another.
- (1) Use a warrant check to transfer the money. Record it as a transfer in column 14, Form KSU 8-6.
 - (2) Record as receipt (transfer) in column H of Form KSU 8-7b
 - (3) It is recommended that a new numbering series be initiated.

B6. Procedure for Canceling an Outstanding Warrant Check

Any warrant check that is outstanding after six months should be considered for cancellation and should be canceled unless reasons are known for delay in processing.

1. Procedure for canceling a current year’s warrant check:
 - a. Write “Canceled Warrant Check” in the expenditures column on EFAP form KSU 8-6. Enter in the check no. column, the number of the warrant check to be canceled.
 - b. In parentheses, enter the amount of the warrant check in the budget column to which it was originally charged. The amount of this warrant check to be canceled will also be posted in parentheses, in column 13, of KSU 8-6.
 - c. Subtract the amount of the warrant check being canceled from the column to which it was originally charged from the monthly total of KSU 8-6.
 - d. Enter in column 1 of KSU 8-7, in the previous month’s outstanding warrant checks section the number of the warrant check being canceled. In column j, same section, enter the amount of the warrant check to be canceled. This amount will also be included in the total for line 16a and 16, KSU 8-7.
 - e. When the above procedure is followed, the current year’s warrant check will be canceled and will not be listed on the following month’s statement.

2. Procedure for canceling a previous year's warrant check:
 - a. Record on KSU 8-7b, in column b, the canceled warrant check number and the date it was written.
 - b. In column C of KSU 8-7b, record the amount of the warrant check to be canceled. This amount will also be included in the total of lines 2 and 4 of KSU 8-7b. If the warrant check to be canceled was originally issued for an item paid for out of the regular budget, it will also be recorded in column F and included in the totals, line 2 and 4 of KSU 8-7b. If it was issued for a non-appropriated fund (Ed Service) item, it would be recorded in column E, Non-appropriated fund (Ed Service), and included in the totals, line 2 and 4 of KSU 8-7b.
 - c. After making these entries, do not list the canceled warrant check in the section "Previous Month's Outstanding Warrant Checks".

B7. Preparation of Financial Check Sheet, KSU 8-19 or 9-19

The Financial Check Sheet KSU 8-19 or KSU 9-19 is to be completed and sent to the regional director following the completion of the December financial statement.

The Financial Check Sheet may also be used any time during the year to prove the balance of EFAP forms KSU 8-6 and/or KSU 8-7.

B8. Accounting Procedure for Negative Balance

Extension districts cannot change their overall budgeted expenditure amount during the fiscal year without going through a process to formally amend their budget and hold a public budget hearing. There may be an occasion when a reimbursement exceeds the amount which was shown as a reimbursed expense in the budget of revenues for the budget year. In that case, the charge made shall be reduced by the amount of the reimbursement. State statutes allow reimbursed expense to be recorded as a reduction to the original expenditure if reimbursed expenses exceed the amount budgeted for reimbursed expenses in the current budget period.

SECTION C- LOCAL EXTENSION UNIT AUDITING

C1. Local Unit Extension Responsibilities

1. All local extension units with an annual budget of \$500,000 or more must make arrangements for an annual audit of their financial account. Those with budgets between \$250,000 and \$500,000 will need to conduct a review under an agreed upon procedure.
2. The treasurer of each local unit (if a, above applies) should make arrangements for auditing with a licensed public accountant.
3. Auditor's report is submitted to:
 - a. Regional Director
 - b. Treasurer, extension board (for the local unit file).
 - c. Kansas Department of Administration, Municipal Accounting
 - d. County commissioners (if an extension council)

C2. Suggestions Concerning Audit-Minimum Requirements

Audits should be conducted in accordance with the current Kansas Municipal Audit and Accounting Guide. The following may be requested for an audit:

1. **Minutes:** Auditors are required to read the minutes of all meetings to see that:
 - a. there has been compliance with the orders of the Board.
 - b. statutes are being complied with.
 - c. all minutes are properly approved and signed.
 2. **Bonds:** Auditors are to check the treasurer's bond to see that:
 - a. it meets the statutory requirements of 100% of the maximum amount on deposit during the year.
 - b. the bond was filed with each county clerk.
 3. **Insurance:** Auditors are required to examine all insurance policies for coverage, endorsements and co- insurance clauses to determine that the insurance company is authorized to do business in Kansas and that policies are written in accordance with statutory requirements.
 4. **Money (Cash or Checks):** Auditors will:
 - a. count cash on hand and review deposit slips to determine that all money has been deposited.
 - b. determine that all monies were deposited promptly.
 - c. obtain written confirmation from the bank of beginning and ending balances.
 5. **Receipts:** Auditors must review receipts to verify that they were issued at the time money was received.
 6. **Checks:** The auditor will examine warrant checks for number, date, payee, amount, signatures, payee endorsement, and bank cancellation. Warrant checks must be audited and approved by the local unit director.
 7. **Comparison:** Receipts and expenditures will be compared with budgeted receipts and expenditures.
 8. **Expenditures:** The auditor will establish the reliability and recording of warrant checks. All expenditures must be authorized by the extension board. An entry in the minutes should read, "The Treasurer and (list two Extension Board members) are hereby authorized to pay bills totaling (\$) dollars as listed on the financial report for the month of (month and year)."
 9. **Inventories:** The auditor will examine the Equipment Inventory (KSU 8-10).
 10. **Petty Cash Funds: **Are not allowed and are illegal**** (See Financial Policy A7:Local Unit Change Funds Policy)
 11. **Excise and Sales Taxes:** The auditor will examine invoices to determine that state sales tax and federal excise tax were not paid.
- C3. Guidelines For Agreed Upon Procedures and Enhanced Agreed Upon Procedures of Municipalities Not Meeting the Audit Requirements Found in K.S.A. 75-1122.**

These procedures must be performed by a licensed public accountant.

Purpose

These guidelines were prepared by the Division of Accounts and Reports in response to Senate Bill 247 (2016 Legislative Session) which raised the municipal audit thresholds and requires the use of agreed upon procedures or enhanced agreed upon procedures in lieu of an audit under certain circumstances.

- With the passage of Senate Bill 247, municipalities with receipts/bonds of \$275,000 or less do not meet the agreed upon procedures nor audit requirements of K.S.A. 75-1117 *et seq.*, and are not required to have an annual audit or agreed upon procedures.
- Municipalities with receipts/bonds in excess of \$275,000, but not more than \$500,000 are required to have agreed upon procedures. If the municipality meets the criteria for agreed upon procedures for three consecutive years, enhanced agreed upon procedure need to be performed in the third year.
- Municipalities with receipts/bonds in excess of \$500,000 are required to have an annual audit performed by a licensed certified public accountant.

Auditors and municipalities are reminded that while the municipal audit statute may not require an audit or the use of agreed upon procedures, the statute does not supersede any other legal or contractual audit requirement to which the municipality is subject. In addition, this guidance does not preclude a municipality with regulatory receipts and/or outstanding bonds of \$500,000 or less from having a GAAS audit with GAAP or regulatory basis financial statement presentation.

Required Agreed-Upon Procedures

If the municipality is subject to the agreed upon procedures rather than a GAAS audit, the procedures to be applied by the certified public accountant must include, but are not limited to, the following:

1. Tie the municipality's total cash per books at year end to source documents. This should include a review of the bank reconciliation for the last month of the year.

Enhanced Procedure. In addition, to the testing discussed above, confirm bank balances and ensure that bank reconciliations are being approved and completed in a timely manner.

2. Reconcile the year-end cash balance as shown on the Statement of Cash Receipts and Cash Disbursements to: 1) demand deposits at the Municipality's official depository, 2) time deposits at the Municipality's official depository, 3) investments in U.S. Treasury bills; and other cash/investment accounts.
3. Using the last bank statement of the year, compare total deposits in excess of FDIC insurance to securities pledged to secure the excess deposits, as evidenced by joint custody receipts.

Enhanced Procedure. Confirm the pledged securities as of December 31 and determine they are adequately secured.

4. For the last bank statement of the year, compare the name of the depository institution to an entry in the official minutes that designates the institution as the Municipality's official depository.

5. For a minimum of two months (to be selected by certified public accountant) trace any interest income from the bank statement to the municipality's cash receipts records.

Enhanced Procedure. Expand this testing to tie out total interest income per bank confirmations to the municipality's general ledger.

6. For a minimum of two separate months (to be selected by the certified public accountant), trace non-mail cash receipts from the receipt book to the bookkeeping records to determine if the receipts were properly recorded. Also, for the same two months, trace bookkeeping entries for cash receipts to the bank statement to determine if receipts are deposited intact and on a timely basis.

Enhanced Procedure. This test will be performed for a minimum of four months. In addition to the two months discussed above, this procedure will also be performed for the first and last month of the fiscal year.

7. For approximately ten percent of the non-payroll cash disbursements (to be selected by the certified public accountant), trace disbursements from the bookkeeping records to the: related invoice, bank statement, and canceled check.

Enhanced Procedure. This test will be performed for approximately fifteen percent of the nonpayroll cash disbursements.

8. For a minimum of one month (to be selected by the certified public accountant) compare the disbursements as recorded in the check register to an entry in the official minutes that approve the disbursements.

Enhanced Procedure. Perform this testing for a minimum of two months.

9. Examine evidence of encumbrances and accounts payable, and determine if they have been properly stated in the financial statements as of the end of the year. Evidence of encumbrances would include unpaid purchase orders and contracts. Evidence of accounts payable would include unpaid invoices and receiving reports.

Enhanced Procedure. In addition to the testing discussed above, review the approved expenditures per the minutes and expand the search to the first two months of the new year.

10. Review the credit card policy and internal controls of the municipality. For a minimum of two months (to be selected by the certified public accountant), review the municipality's credit card transactions to determine if approvals, expenditure procedures, and proper classification of expenditures were followed.

In the agreed upon procedure report, describe the credit card procedure, if the credit card procedures and internal controls are being followed, and if the municipality's credit cards are only in the name of the municipality.

11. Review payroll for a minimum of one month (to be selected by certified public accountant) to determine that proper deductions and employer contributions are being remitted.

Enhanced Procedure. Expand testing to two months. In addition, trace the year end payroll reports

to the payroll register and general ledger to ensure proper reporting and remittance of payroll withholdings.

12. For the last month of the year review the payroll records for each employee to determine if a deduction for KPERS (Kansas Public Employees Retirement System) was made.
13. Compare the following items in the current year financial statement to the same items in the prior year financial statement to determine if there is a variance of more than 25% per fund:
 - a. total cash receipts.
 - b. total cash disbursements.
 - c. encumbrances and accounts payable.
 - d. ending unencumbered cash balance.

For variances larger than 25%, examine the variance, then document and report on the reason.

14. For a minimum of two months (to be selected by the certified public accountant), review the municipality month-end statement of cash receipts and cash disbursements to determine that the ending unencumbered cash balance is greater than or equal to zero.

Enhanced Procedure. Perform this testing for a minimum of three months.

15. For a minimum of two months (to be selected by the certified public accountant), review the official minutes to determine that the minutes have been signed by the chairperson of the board of directors.
16. Review the Municipality's surety (fidelity) bonds to determine that all employees and officers entrusted with funds or property are covered by such a bond.
17. Review the general and entity specific compliance checklists.

Optional Additional Information

Compiled Financial Statement. Including a compiled financial statement is optional.

SECTION D- FEDERAL AND STATE TAX EXEMPTIONS

An extension council is classed as a “municipality” and extension districts are political sub-divisions of the state of Kansas, which entitles them to certain federal and state tax exemptions. Two such exemptions are:

1. **Federal excise tax exemption of telephone, tires, automobiles, etc.** Extension units are exempt from federal excise tax on communication services and motor fuels purchased for the unit’s direct consumption. Occasionally, regional and local motor fuel vendors do not remove the federal excise tax from governmental unit invoices. Extension councils and districts can file [IRS Form 8849, Claim for Refund of Excise Taxes](#), to request credit if the vendor fails to remove excise tax, per IRS Publication 510, Excise Taxes. (See Tax Issues for Local Extension Offices for more information.)
2. **Kansas sales tax exemption.** Extension councils and extension districts are treated differently when it

comes to sales tax exemption. (See Tax Issues for Local Extension Offices for full details.)

To qualify for sales tax exemption, the council or district must pay directly for any tax-exempt purchase. Cash purchases do not qualify for exemption, nor do purchases made by an individual to be reimbursed by the organization. Some retailers ask to see a copy of the exemption certificate with each purchase; others keep a copy on file. The Kansas Department of Revenue provides each council and district with an exemption certificate-which the department will periodically update-and online access to the [KS WebTax system](#). The local unit office staff may photocopy the exemption certificate for retailers/vendors or download additional copies from the [KS WebTax sytem](#).

SECTION E- COLLECTION OF SALES TAX BY LOCAL EXTENSION UNITS

1. **Local Extension units must collect sales tax on sales of education supplies for individual use.** Sales made to other governmental units (federal, state or county) are not subject to sales tax. However, the receipt must clearly show that the purchase was made by the governmental units.
2. **A sales receipt must be made for each sale.** The receipt must show the total amount of the sale separate from the sales tax collected.

a. Example:

Kansas Farm and Household Account Book	\$2.50
Sales Tax	<u>.13</u>
Total	\$2.63

- b. All books and records necessary for proving the amount of sales tax collected by the local unit are to be on file for a period of five years.

3. Policy/Procedure.

Following are examples of items a council or district might sell from the office or through an online system, and that require sales tax collection:

- a. *Walk Kansas* T-shirts
- b. for-sale publications
- c. radon test kits
- d. farm account books
- e. sales of admission tickets (unless meeting the requirements for de minimis fund-raising events -- [Kansas Department of Revenue Publication 1527 “Kansas Business Taxes for Political Subdivisions”](#)):

1. All proceeds derived from the fund-raising event shall be used by the nonprofit entity to further its exempt purpose.
2. The fund-raising event shall not be in direct competition with a for-profit business (in the same area or at the same event).
3. The fund-raising event shall not take place at a retail business’s premises during

regular business hours.

4. Sales at the fund-raising event shall be made by members or the nonprofit entity and not by a retailer, or other for-profit business.

5. If a nonprofit entity buys goods to resell at a de minimis fund-raising event, the nonprofit entity shall pay sales tax on the purchases, unless the entity is a religious organization. A religious organization may purchase goods without sales tax intended for resale at a de minimis fund-raising event.

6. The gross receipts from sales at the nonprofit entity's de minimis fund-raising events during any prior calendar year shall not exceed \$25,000. If the gross receipts exceed \$25,000 in any calendar year, the nonprofit entity shall register as a retailer and collect sales tax on ALL future sales.

7. Each non-profit entity shall be limited to six fund-raising events, lasting no more than one day, during any 12-month period.

Sales exempt from sales tax collection include the following:

- Registration fees for educational programs and materials, including educational publications, or other materials such as a Walk Kansas T-shirt included as part of the program fee.
 - Services, such as soil and forage tests
 - Direct sales of tangible personal property to other tax-exempt organizations, which in turn must present a tax-exemption certificate to be kept on file for three years
 - EID tags for 4-H animals
4. **When sales tax is collected** by the local extension unit, it will be based on the current [Kansas Retailers Sales Tax](#). In some counties and towns, there is an additional county and/or city sales tax.
5. **Reporting payment of sales tax collected.** See Tax Issues for Local Extension Offices for more information

SECTION F – END OF YEAR TAX INSTRUCTIONS FOR LOCAL UNITS

F1. IRS FORM W-2

You should have an IRS Form W-4 on file for all employees.

Answers to frequently asked questions:

1. **Box 1:** Wages does not include KPERS or pre-tax deductions.
2. **Boxes 3 and 5:** *Include* KPERS, but do not include most pre-tax deductions.
3. **Box 12:** Show BOTH the employer and employee contributions to a health savings account with Code W.

F2. IRS FORM W-3

1. Extension Units are 941 'Kind of Payer'
2. Extension Units are State/Local non-501c 'Kind of Employer'

General Instructions for IRS Form 1099-misc are available on the IRS website:

- [General instructions for certain information returns](#)
- [Instructions for Forms 1099-MISC and 1099-NEC](#)

You should have an IRS FORM W-9 “Request for Taxpayer identification Number and Certification” on file for all non-employee persons or unincorporated business who are paid more than \$600; you are required to provide an IRS FORM 1099-MISC to these individuals. Persons who have not furnished their Taxpayer Identification Number are subject to backup withholding.

Send copy “A” of forms W-2, Wage and Tax Statement and W-3, transmittal of Wage and Tax Statements, to the Social Security Administration **by January 31** for both paper and electronic forms.

For Form 1099-MISC, Miscellaneous Income, **if reporting non-employee compensation (NEC) in Box 7, both paper and electronic filings are due by January 31.**

SECTION G – DISTRICT AGENT SALARY

Extension districts are allocated funding through state and federal fund sources based on the number of extension agent positions originally allocated among the counties forming the district. The funding level is irrespective of the number of extension agents hired into the district. The state and federal funds for the originally allocated positions are distributed equally across all filled positions.

As an extension agent vacancy occurs within the district, all salary and benefit savings on that position will return to the source of those funds. In other words, the district sources of funding will remain with the district. The state and federal sources will return to K-State. As the position is refilled, state and federal sources of funding will be reinstated at the base level amount equal to that provided to all other agents within the district.

If a vacancy occurs and the District Governing Board decides that position will not be refilled, accumulated salary savings on the state and federal portions will return to K-State until new extension agent annual contracts are written. At that time an increase will be made to the base state and federal funds support to all extension agent positions within the district to equal the total value of the block grant for the district.

If the District Governing Board decides to add an extension agent position, state and federal funding will be adjusted downward on all extension agent positions in an amount to retain the total value of agent allocation of the district.

