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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 Area Extension Director, and the Area 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 (ShaRP) 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.

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 area 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, area 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 (from Appropriated Funds)

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) (Exhibit K).
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 used by participants in connection with Extension demonstration.
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.

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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.

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 Area Extension Director.) Required orientation, and new agent training meetings, on a state basis scheduled by the State 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.
4. Another type of non-appropriated fund, not included in the local Extension unit account, would be those monies collected and dispensed by Extension affiliated groups with their own bank accounts such as 4-H clubs. There are approved Principles for Managing Non-Appropriated Funds of Affiliated Groups:

Principle #1: 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 Research and Extension. The Director and local Extension Boards are accountable for all non-appropriated funds generated for Extension programs. This includes all funds collected/raised in the name of Extension 4-H Clubs.

Principle #2: Extension employees should not be signatory on any fund accounts, whether appropriated or non-appropriated. All accounts should require at least two signatures for withdrawals.

Principle #3: 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).

Principle #4: All Extension affiliated entities must have their own employer identification number from the Internal Revenue Service and all 4-H 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: 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.

5. Responsibilities of Extension Boards for Extramural Funds

The Extension Board and the Extension Director's duly authorized representative must pre-approve all submissions of applications for grants or other extramural funds. Form KSU 1-13 must be completed by the Extension Board and the Director's representative prior to any grant being received by and processed through the local Extension unit.

A5. 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 (K.S.A. 75-4001, et seq.) 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.

<http://www.kssos.org/forms/Administration/MN.pdf>

Completed forms can be mailed to:

Kansas Secretary of State
Memorial Hall, 1st Floor
120 SW 10th Avenue
Topeka, KS 66612-1594

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A6. 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.

A7. 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.*)

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*).

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 K-State Research and Extension Director's Representative.

A8. 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 <http://www.ksrevenue.org/bingoraffle.html>

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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.

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 Web site for authorization of those payments.
3. **Maintain in the files a finance folder for each month.** 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, KSU 8-7a and KSU 8-7b, "County/District Extension Financial Statement- Summary and Receipts", (Exhibit B & B-1) record all funds deposited during the month.
5. Receipt all funds received, (checks or cash). Use the standard receipt book, KSU 8-12 (Exhibit A). The total of receipts issued must equal amount deposited. Mark "void" any receipts in error. 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) Civil Rights Mini Review (CR-1)
 - b. The following items are to be maintained permanently:
 - (1) List of council/governing body members (KSU 8-4, KSU8-15); District Governing Body and PDC members (KSU 9-4)
 - (2) December Financial Statement (KSU 8-6, KSU 8-7, KSU 8-9)
 - (3) Minutes of Board meetings
 - (4) Memorandum of Understanding

- (5) Annual Program Accomplishment Reports
- (6) Auditor's Reports
- (7) Transfer of Property
- (8) On-site Civil Rights Compliance Review forms

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" (Exhibit C);

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

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

One (1) copy of all itemized deposit slips;

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 similar to the standard forms. Copies may be made on a copy machine.

11. After reviewing, the Research/Extension Business Office will post the KSU 8-6 and KSU 8-7 to the KSRE 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 any, list them in columns i and j, KSU 8-7a, "County/District Extension Financial Statement- Summary" (Exhibit B). 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, KSU 8-6, "County/District Extension Financial Statement- Expenditures" (Exhibit C), and included in the totals on lines 19A and 19 of KSU 8-7a, "County/District Extension Financial Statement- Summary" (Exhibit B).

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” (Exhibit C), and included in the total on line 19 of KSU 8-7a, County/District Extension Financial Statement Summary”, (Exhibit B).
4. Check the deposit slips against the bank statement for deposits made during the month.

B3. Preparation of Warrant Check, KSU 8-8

1. Three copies of the warrant check, KSU 8-8 (Exhibits E) will be prepared – an original and two non-negotiable copies. The first non-negotiable copy is sent to the Research/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 grouped according to budget headings (columns 1 thru 12, KSU 8-6) and shown as a sub-total for each budget heading. 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 Extension 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 KSU 8-17, “Travel Payment Voucher” (Exhibit F), in presenting their claims for subsistence (meals and lodging), travel and miscellaneous reimbursement to the Executive Board. KSU 8-17 will be used by all agents. Educational Program Support (miscellaneous) expenses claimed on KSU 8-17, “Travel Payment Voucher” 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 to the warrant check before presenting to the Extension Board for approval. The warrant check must carry the following statement:

“Expenses for (Agent’s name) during the month of _____, are itemized on KSU 8-17”

The Local Unit Extension Director is to sign form KSU 8-17 for all agents before presentation to the Extension Board for payment. These forms are available from the KSRE Employee Resources Webpage.

7. Warrant checks in payment of equipment, such as computers, copy machines, etc., must include the serial number of the equipment.
8. County District 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 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 County/District Extension 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,includingAutoExchange

This classification is for the purchase of items costing \$500.00 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, copiers, and other duplicating machines.
3. Typewriters, calculators, and other office equipment.
4. Cameras, lenses, flash attachments, tripods, projectors, TV, video equipment, screens and other photographic items.
5. Sewing machines, shears, portable scales, and other equipment.
6. The original cost of the vehicle (may be a shared expense with column 12, Capital Outlay), less trade-in allowance.
7. 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 \$200.00, 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 KSRE 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, insurance.
2. Mileage or public carrier fare for agents (claim must be submitted on KSU 8-17).

Column 8: Subsistence (meals and lodging)

Daily subsistence as provided by Kansas statutes and submitted on form KSU 8-17 can be paid only on travel away from official headquarters (must be more than 30 miles from official headquarters and stay overnight).

Column 9: Salaries

1. Salaries of County/District Extension agents, secretaries, 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.

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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 County/District Extension Agent's salary which will be entered on form KSU 8-6 each month (Exhibit M).

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)

County/District Extension 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.

KSU 8-9, "County/District Extension Financial Statement- Non-Appropriated Funds (Ed Services)" (Exhibit D), 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 receipted into or expended out of the local Extension account.

For example, a local Extension Unit could charge a registration fee or seek donations or sponsorships that would allow the local unit to provide program incentives/prizes for educational programs. Expenditures for such items as prizes or program incentives should then be tracked in the non-appropriated funds line item and would not fall under the spending restrictions that exist in Smith Lever or State Extension statutes for appropriated tax dollars. (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 document on the Employee Resources Web site 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 and 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, and 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 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 the “Tax Issues for Local Extension Offices” publication found on the Employee Resources Website for 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: FNP; 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 KSU 8-7b, and 8-9 report form. The date of deposit is recorded in the date column.

Complete the necessary KSU8-7b, and 8-9 form before preparing KSU8-6 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 KSU form 8-7b (Exhibit B), 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 (Exhibit C).
 - (3) Record in Savings Account Record of Form 8-7a (Exhibit B).
 - (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 (Exhibit B-1).
- (3) Record on line 8, Form 8-7a, column O (Exhibit B).
- (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, (Exhibit B-1).
 - (3) Record on Interest Earned, Form 8-7b, in the month in which the interest was received and deposited in the checking account (Exhibit B-1).
 - (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.**

- 3. Changing the regular checking account from one bank to another.
 - a. Use a warrant check to transfer the money. Record it as a transfer in column 14, Form KSU 8-6.
 - b. Record as receipt (transfer) in column H of Form KSU 8-7b
 - c. 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 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 (Exhibits B and C).
- 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”, (Exhibit B)

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

KSU 8-19 or 9-19, “Financial Check Sheet” (Exhibit I) is to be completed and sent to the Area Extension 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 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 is in excess of 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- COUNTY/DISTRICT AUDITING

C1. County/District 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 between \$250,000 and \$500,000 will need to conduct a review under an agreed upon procedure.
2. The Treasurer of each County/District Extension 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: They are required to read the minutes of all meetings:

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- a. to see that there has been compliance with the orders of the Board.
 - b. to see that statutes are being complied with.
 - c. to see that all minutes are properly approved and signed.
2. Bonds: They are to check the Treasurer's bond:
 - a. to see that it meets the statutory requirements of 100% of the maximum amount on deposit during the year.
 - b. to see that the bond was filed with each County Clerk.
 3. Insurance: They 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):
 - a. They will count cash on hand and review deposit slips to determine that all money has been deposited.
 - b. They will determine that all monies were deposited promptly.
 - c. They will obtain written confirmation from the bank of beginning and ending balances.
 5. Receipts: Receipts (KSU 8-12) see if issued at the time money is 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 County/District Extension 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 _____."
 9. Inventories: The auditor will examine the Equipment Inventory (KSU 8-10), (Exhibit L).
 10. Petty Cash Funds – **Are not allowed and are illegal** (See 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 with Receipts of \$275,000 to \$500,000

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

Procedure 1 - Cash Receipts. 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.

Procedure 2 – Cash Disbursements. 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 non-payroll cash disbursements.

Procedure 3 – Encumbrances and Accounts Payable. 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.

Procedure 4 - Year-End Cash. 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.

Procedure 5 - Payroll. 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.

Procedure 6 - Comparison with Prior Year. Compare the following items in the current year financial statements to the same items in the prior year financial statements to determine if there is a variance of more than 25 percent per fund: 1) total cash receipts, 2) total cash disbursements, 3) encumbrances and accounts payable, and 4) ending unencumbered cash balance.

Procedure 7 - Other Procedures.

- a) 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.
- b) 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.
- c) 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.
- d) 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.
- e) 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.
- f) For a minimum of two months (to be selected by the certified public accountant), review the Municipality's 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.

g) 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.

h) 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.

i) 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.

j) 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.

Procedure 8 – Compliance Checklist. General and Entity Specific Checklist.

Optional Additional Information

Compiled Financial Statement. Including a compiled financial statement similar to the following statement with the agreed upon procedures 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. KSU 8-13 (Exhibit K).
Extension Councils are entitled to federal tax exemptions on merchandise and services which are for their exclusive use and benefit, and paid from Extension Council and District funds. The company furnishing the goods or services must be provided the Federal Excise Tax Exemption Certificate, KSU 8-13.
2. Kansas Sales Tax Exemption Certificate, KSU 8-14 (Exhibit L). To be used by County
Extension Councils and Extension Districts claiming to be exempt state sales tax on merchandise and services.
NOTE: County Extension Councils and Extension Districts are not exempt from paying the Kansas gasoline tax, however they are exempt from the federal excise tax on gasoline.

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:

(1)	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 County/District Extension 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 exceeds \$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 not more than six fund-raising events of not more than a day's duration 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 on the KSRE Employee Resources Website.

SECTION F – END OF YEAR TAX INSTRUCTIONS FOR LOCAL UNITS

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.

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 2017 IRS Form 1099-misc are available at:

<https://www.irs.gov/pub/irs-pdf/i1099gi.pdf>

<https://www.irs.gov/pub/irs-pdf/i1099misc.pdf>

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 - EXHIBITS

Exhibits can be viewed at the Extension Administrative Documents and Forms website:

http://www.ksre.k-state.edu/employee_resources/forms/

<u>Exhibit</u>	<u>Title</u>
A	KSU 8-12, Receipt
B	KSU 8-7a, County/District Extension Financial Statement- Summary
B-1	KSU 8-7b, Receipts
C	KSU 8-6, County/District Extension Financial Statement- Expenditures
D	KSU 8-9 report, County/District Extension Financial Statement-Non-Appropriated Funds (Educational Services)
E	KSU 8-8, Warrant Check
F	Uniform Facsimile Signature of Public Officials Act
G	
H	
I	
J	KSU 8-10, Equipment Inventory – County pdf Excel KSU 9-10, Equipment Inventory – District
K	KSU 8-13, Federal Excise Tax Exemption Certificate
L	KSU 8-14, Kansas Exemption Certificate
M	KSU Bi-weekly Pay Invoice