

**South Central Kansas Economic  
Development District, Inc.**

**Independent Auditor's Report**

**And**

**Financial Report  
(Including OMB Circular A-133 Reports)**

**June 30, 2015 and 2014**



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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
South Central Kansas Economic Development District, Inc.  
Wichita, Kansas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of South Central Kansas Economic Development District, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Central Kansas Economic Development District, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2015, on our consideration of South Central Kansas Economic Development District, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Central Kansas Economic Development District, Inc.'s internal control over financial reporting and compliance.

*Regina Ann E. Monroe, CPA*

December 3, 2015  
Wichita, Kansas

**South Central Kansas Economic Development District, Inc.**  
**Statements of Financial Position**  
**June 30, 2015 and 2014**

|  | 2015                |                 |                     |                                  |                   |                     | 2014                |
|--|---------------------|-----------------|---------------------|----------------------------------|-------------------|---------------------|---------------------|
|  | Loan<br>Funds       | Trust<br>Funds  | Weather-<br>ization | Admin-<br>istration<br>Contracts | Local<br>General  | Total               | Total               |
| <b>ASSETS</b>  |                     |                 |                     |                                  |                   |                     |                     |
| Cash and cash equivalents  | \$ 2,220,830        | \$ 6,241        | \$ 29,833           | \$ -                             | \$ 227,133        | \$ 2,484,037        | \$ 3,039,010        |
| Accounts receivable  | -                   | -               | -                   | -                                | -                 | -                   | 5,037               |
| Grants receivable  | -                   | -               | 19,865              | -                                | 61,787            | 81,652              | 114,007             |
| Contracts receivable   | -                   | -               | 44,138              | 11,455                           | 27,100            | 82,693              | 88,008              |
| Interfund receivable/payable   | (13,292)            | -               | (32,953)            | 569,885                          | (523,640)         | -                   | -                   |
| Prepaid expenses   | -                   | -               | -                   | -                                | 3,250             | 3,250               | 3,251               |
| Interest receivable, net of allowance<br>for losses of \$2,000 and<br>\$2,000, respectively                    | 42,369              | -               | -                   | -                                | -                 | 42,369              | 40,108              |
| Supplies inventory   | -                   | -               | 19,413              | -                                | -                 | 19,413              | 22,526              |
| Notes receivable, net of allowance<br>for loan losses of \$328,000 and<br>\$371,000, respectively              | 2,538,046           | -               | -                   | -                                | -                 | 2,538,046           | 2,141,532           |
| Investments  | -                   | -               | -                   | -                                | 367,615           | 367,615             | 383,256             |
| Asset held for sale  | -                   | -               | -                   | -                                | 52,789            | 52,789              | -                   |
| Property and equipment at cost, net of<br>accumulated depreciation of \$778,229<br>and \$725,469, respectively | -                   | -               | 29,245              | -                                | 34,619            | 63,864              | 85,694              |
| Total assets   | <u>\$ 4,787,953</u> | <u>\$ 6,241</u> | <u>\$ 109,541</u>   | <u>\$ 581,340</u>                | <u>\$ 250,653</u> | <u>\$ 5,735,728</u> | <u>\$ 5,922,429</u> |
| <b>LIABILITIES AND NET ASSETS</b>  |                     |                 |                     |                                  |                   |                     |                     |
| Liabilities  |                     |                 |                     |                                  |                   |                     |                     |
| Accrued expenses and<br>accounts payable   | \$ -                | \$ -            | \$ -                | \$ -                             | \$ 127,242        | \$ 127,242          | \$ 82,771           |
| Interest payable   | 4,102               | -               | -                   | -                                | -                 | 4,102               | 3,171               |
| Notes payable  | 1,807,644           | -               | -                   | -                                | -                 | 1,807,644           | 1,871,863           |
| Deferred revenue   | -                   | -               | 73,012              | -                                | 49,525            | 122,537             | 276,274             |
| Funds held for others  | -                   | 6,241           | -                   | -                                | -                 | 6,241               | 5,891               |
| Total liabilities  | 1,811,746           | 6,241           | 73,012              | -                                | 176,767           | 2,067,766           | 2,239,970           |
| Net assets-Unrestricted  | 2,976,207           | -               | 36,529              | 581,340                          | 73,886            | 3,667,962           | 3,682,459           |
| Total liabilities and net assets   | <u>\$ 4,787,953</u> | <u>\$ 6,241</u> | <u>\$ 109,541</u>   | <u>\$ 581,340</u>                | <u>\$ 250,653</u> | <u>\$ 5,735,728</u> | <u>\$ 5,922,429</u> |

*The accompanying notes are an integral part of the financial statements.*

**South Central Kansas Economic Development District, Inc.**  
**Statements of Activities**  
**For the Years Ended June 30, 2015 and 2014**

|   | <b>2015</b>       |                     |                             |                   |                     | <b>2014</b>         |                     |
|---|-------------------|---------------------|-----------------------------|-------------------|---------------------|---------------------|---------------------|
|   | Loan<br>Funds     | Weather-<br>ization | Administration<br>Contracts | Local<br>General  | Eliminations        | Total               | Total               |
| <b>REVENUES</b>                               |                   |                     |                             |                   |                     |                     |                     |
| Grant revenue                                 | \$ -              | \$ 2,054,525        | \$ -                        | \$ 164,008        | \$ -                | \$ 2,218,533        | \$ 2,130,771        |
| County fees                                   | -                 | -                   | -                           | 136,500           | -                   | 136,500             | 136,500             |
| Contract revenue                              | -                 | 215,976             | 149,960                     | 36,205            | -                   | 402,141             | 337,110             |
| Gain (loss) on investments                    | -                 | -                   | -                           | 2,099             | -                   | 2,099               | 27,153              |
| Interest income                               | 208,722           | 74                  | -                           | 4,644             | -                   | 213,440             | 216,189             |
| Center for Entrepreneurship Partnership Grant | -                 | -                   | -                           | 23,800            | -                   | 23,800              | -                   |
| Contributed goods and services                | -                 | -                   | -                           | 75,866            | -                   | 75,866              | 30,417              |
| Loan administration and servicing fees:       |                   |                     |                             |                   |                     |                     |                     |
| Small Business Administration                 | -                 | -                   | -                           | 77,578            | -                   | 77,578              | 81,950              |
| RLF   | -                 | -                   | -                           | 68,354            | (60,325)            | 8,029               | 2,345               |
| IRP   | -                 | -                   | -                           | 22,431            | (20,165)            | 2,266               | 250                 |
| RBDTC   | -                 | -                   | -                           | 13,564            | (10,844)            | 2,720               | 400                 |
| RBEG  | -                 | -                   | -                           | 3,209             | (3,209)             | -                   | -                   |
| RMAP  | -                 | -                   | -                           | 1,408             | -                   | 1,408               | 19,059              |
| Other   | 16,643            | 11,042              | 1,875                       | 49,030            | (64,320)            | 14,270              | 71,841              |
| Total revenues                                | <u>\$ 225,365</u> | <u>\$ 2,281,617</u> | <u>\$ 151,835</u>           | <u>\$ 678,696</u> | <u>\$ (158,863)</u> | <u>\$ 3,178,650</u> | <u>\$ 3,053,985</u> |

*The accompanying notes are an integral part of the financial statements.*

**South Central Kansas Economic Development District, Inc.**  
**Statements of Activities**  
**For the Years Ended June 30, 2015 and 2014**

|   | 2015                |                     |                             |                  |                  | 2014                |                     |
|---|---------------------|---------------------|-----------------------------|------------------|------------------|---------------------|---------------------|
|   | Loan<br>Funds       | Weather-<br>ization | Administration<br>Contracts | Local<br>General | Eliminations     | Total               | Total               |
| <b>EXPENSES</b>   |                     |                     |                             |                  |                  |                     |                     |
| Program expenses  |                     |                     |                             |                  |                  |                     |                     |
| Revolving loan funds                                    | \$ 29,046           | \$ -                | \$ -                        | \$ -             | \$ (60,325)      | \$ (31,279)         | \$ (37,529)         |
| Intermediary loan funds                                 | 2,103               | -                   | -                           | -                | (20,165)         | (18,062)            | 12                  |
| Microloan loan funds                                    | 100,436             | -                   | -                           | -                | (35,110)         | 65,326              | 23,683              |
| Rural business development loan funds                   | 22,689              | -                   | -                           | -                | (10,844)         | 11,845              | 47,341              |
| Rural business enterprise grant funds                   | 1,709               | -                   | -                           | -                | (3,209)          | (1,500)             | (500)               |
| Rural microenterprise assistance loan funds             | 9,765               | -                   | -                           | -                | -                | 9,765               | 8,804               |
| Weatherization programs                                 | -                   | 2,274,688           | -                           | -                | (18,115)         | 2,256,573           | 2,008,192           |
| Administrative contracts                                | -                   | -                   | 197,776                     | -                | (9,595)          | 188,181             | 227,263             |
| Economic development                                    | -                   | -                   | -                           | 92,517           | -                | 92,517              | 99,152              |
| Microloan grant funds                                   | -                   | -                   | -                           | 148,067          | -                | 148,067             | 210,005             |
| Loan servicing  | -                   | -                   | -                           | 219,908          | -                | 219,908             | 350,255             |
| Total program expenses                                  | <u>165,748</u>      | <u>2,274,688</u>    | <u>197,776</u>              | <u>460,492</u>   | <u>(157,363)</u> | <u>2,941,341</u>    | <u>2,936,678</u>    |
| Support expenses  |                     |                     |                             |                  |                  |                     |                     |
| General and management                                  | -                   | -                   | -                           | 253,306          | (1,500)          | 251,806             | 260,117             |
| Total support expenses                                  | <u>-</u>            | <u>-</u>            | <u>-</u>                    | <u>253,306</u>   | <u>(1,500)</u>   | <u>251,806</u>      | <u>260,117</u>      |
| Total expenses  | <u>165,748</u>      | <u>2,274,688</u>    | <u>197,776</u>              | <u>713,798</u>   | <u>(158,863)</u> | <u>3,193,147</u>    | <u>3,196,795</u>    |
| <b>CHANGE IN NET ASSETS</b>                             | 59,617              | 6,929               | (45,941)                    | (35,102)         | -                | (14,497)            | (142,810)           |
| <b>UNRESTRICTED NET ASSETS AT<br/>BEGINNING OF YEAR</b> | <u>2,916,590</u>    | <u>29,600</u>       | <u>627,281</u>              | <u>108,988</u>   | <u>-</u>         | <u>3,682,459</u>    | <u>3,825,269</u>    |
| <b>UNRESTRICTED NET ASSETS AT<br/>END OF YEAR</b>       | <u>\$ 2,976,207</u> | <u>\$ 36,529</u>    | <u>\$ 581,340</u>           | <u>\$ 73,886</u> | <u>\$ -</u>      | <u>\$ 3,667,962</u> | <u>\$ 3,682,459</u> |

*The accompanying notes are an integral part of the financial statements.*

**South Central Kansas Economic Development District, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2015**

|                                      | Program Expenses   |                            |           |                               |                         |                            |                     |                                  |                              |            |                   |                  | Eliminations | Total        |
|--------------------------------------|--------------------|----------------------------|-----------|-------------------------------|-------------------------|----------------------------|---------------------|----------------------------------|------------------------------|------------|-------------------|------------------|--------------|--------------|
|                                      | Loan Funds         |                            |           |                               |                         |                            | Local General       |                                  |                              |            |                   | Support Expenses |              |              |
|                                      | Revolving<br>(RLF) | Inter-<br>mediary<br>(IRP) | Microloan | Rural Bus.<br>Dev.<br>(RBDTC) | Rural<br>Bus.<br>Enter. | Rural<br>Micro.<br>Assist. | Weather-<br>ization | Admin-<br>istrative<br>Contracts | Economic<br>Develop-<br>ment | Microloan  | Loan<br>Servicing | Local<br>General |              |              |
| Salaries                             | \$ -               | \$ -                       | \$ -      | \$ -                          | \$ -                    | \$ -                       | \$ 222,409          | \$ 127,401                       | \$ 71,673                    | \$ 99,668  | \$ 150,789        | \$ 122,583       | \$ -         | \$ 794,523   |
| Employee benefits                    | -                  | -                          | -         | -                             | -                       | -                          | 164,561             | 24,996                           | 13,429                       | 16,831     | 32,902            | 21,492           | -            | 274,211      |
| Professional fees                    | -                  | -                          | -         | -                             | -                       | -                          | 17,227              | 3,410                            | 1,176                        | 5,367      | 7,400             | 27,148           | -            | 61,728       |
| Bonds and insurance                  | -                  | -                          | -         | -                             | -                       | -                          | 16,589              | 918                              | -                            | -          | -                 | 2,206            | -            | 19,713       |
| Consumables                          | -                  | -                          | -         | -                             | -                       | -                          | 21,331              | 608                              | 353                          | 2,211      | 1,341             | 5,520            | -            | 31,364       |
| Depreciation                         | -                  | -                          | -         | -                             | -                       | -                          | 23,985              | -                                | -                            | -          | -                 | 28,776           | -            | 52,761       |
| Dues and memberships                 | -                  | -                          | -         | -                             | -                       | -                          | -                   | -                                | -                            | 75         | 1,975             | 4,207            | -            | 6,257        |
| Equipment lease/rental               | -                  | -                          | -         | -                             | -                       | -                          | (232)               | 1,213                            | -                            | 1,131      | 2,531             | 3,387            | -            | 8,030        |
| Interest expense                     | -                  | 6,632                      | 7,196     | -                             | -                       | 7,765                      | -                   | -                                | -                            | -          | -                 | -                | -            | 21,593       |
| Loan service/<br>administrative fees | 60,325             | 20,165                     | -         | 10,844                        | 3,209                   | -                          | -                   | -                                | -                            | -          | -                 | -                | (94,543)     | -            |
| Recharge                             | -                  | -                          | 35,110    | -                             | -                       | -                          | -                   | -                                | -                            | -          | -                 | 1,500            | (36,610)     | -            |
| Office/warehouse rent                | -                  | -                          | -         | -                             | -                       | -                          | 90,052              | 7,013                            | 1,132                        | 12,900     | 12,082            | 14,192           | -            | 137,371      |
| Travel per diem                      | -                  | -                          | -         | -                             | -                       | -                          | 14,797              | 2,137                            | 1,444                        | -          | 22                | 631              | -            | 19,031       |
| Postage                              | -                  | -                          | -         | -                             | -                       | -                          | 2,113               | 4,762                            | 190                          | 648        | 694               | 570              | -            | 8,977        |
| Printing and publishing              | -                  | -                          | -         | -                             | -                       | -                          | 2,210               | 995                              | -                            | 1,005      | 1,455             | 670              | -            | 6,335        |
| Provision for loan losses            | (31,279)           | (24,709)                   | 58,130    | 5,141                         | (1,500)                 | 2,000                      | -                   | -                                | -                            | -          | -                 | -                | -            | 7,783        |
| Publications                         | -                  | -                          | -         | -                             | -                       | -                          | 2,519               | 728                              | -                            | 888        | -                 | 360              | -            | 4,495        |
| Seminars/conference<br>and education | -                  | -                          | -         | -                             | -                       | -                          | 7,995               | 205                              | 15                           | -          | 150               | 1,690            | -            | 10,055       |
| Telephone                            | -                  | -                          | -         | -                             | -                       | -                          | 4,014               | 2,218                            | 200                          | 3,896      | 4,868             | 3,567            | -            | 18,763       |
| Training and technical<br>assistance | -                  | -                          | -         | 6,704                         | -                       | -                          | 11,084              | 160                              | -                            | -          | -                 | -                | -            | 17,948       |
| Transportation                       | -                  | -                          | -         | -                             | -                       | -                          | 6,306               | 8,859                            | 2,905                        | 1,836      | 274               | 2,148            | (9,595)      | 12,733       |
| Vehicle expense                      | -                  | -                          | -         | -                             | -                       | -                          | 95,801              | 12                               | -                            | -          | -                 | 3,449            | -            | 99,262       |
| Weatherization                       | -                  | -                          | -         | -                             | -                       | -                          | 1,546,962           | -                                | -                            | -          | -                 | -                | (18,115)     | 1,528,847    |
| Other expense                        | -                  | 15                         | -         | -                             | -                       | -                          | 24,965              | 12,141                           | -                            | 1,611      | 3,425             | 9,210            | -            | 51,367       |
| Subtotal                             | 29,046             | 2,103                      | 100,436   | 22,689                        | 1,709                   | 9,765                      | 2,274,688           | 197,776                          | 92,517                       | 148,067    | 219,908           | 253,306          | (158,863)    | 3,193,147    |
| Eliminations                         | (60,325)           | (20,165)                   | (35,110)  | (10,844)                      | (3,209)                 | -                          | (18,115)            | (9,595)                          | -                            | -          | -                 | (1,500)          | 158,863      | -            |
| Total expenses                       | \$ (31,279)        | \$ (18,062)                | \$ 65,326 | \$ 11,845                     | \$ (1,500)              | \$ 9,765                   | \$ 2,256,573        | \$ 188,181                       | \$ 92,517                    | \$ 148,067 | \$ 219,908        | \$ 251,806       | \$ -         | \$ 3,193,147 |

*The accompanying notes are an integral part of the financial statements.*



**South Central Kansas Economic Development District, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2014**

|                                   | Program Expenses |                       |            |                         |                          |                      |                 |                           |                       |            |                |                  | Eliminations | Total        |
|-----------------------------------|------------------|-----------------------|------------|-------------------------|--------------------------|----------------------|-----------------|---------------------------|-----------------------|------------|----------------|------------------|--------------|--------------|
|                                   | Loan Funds       |                       |            |                         |                          |                      | Local General   |                           |                       |            |                | Support Expenses |              |              |
|                                   | Revolving (RLF)  | Inter-mediatary (IRP) | Micro-loan | Rural Bus. Dev. (RBDTC) | Rural Bus. Enter. (RBEG) | Rural Micro. Assist. | Weather-ization | Admin-istrative Contracts | Economic Develop-ment | Microloan  | Loan Servicing | Local General    |              |              |
| Salaries                          | \$ -             | \$ -                  | \$ -       | \$ -                    | \$ -                     | \$ -                 | \$ 199,316      | \$ 153,584                | \$ 77,489             | \$ 122,656 | \$ 248,149     | \$ 114,623       | \$ -         | \$ 915,817   |
| Employee benefits                 | -                | -                     | -          | -                       | -                        | -                    | 169,577         | 31,530                    | 17,195                | 23,243     | 57,646         | 24,447           | -            | 323,638      |
| Professional fees                 | -                | -                     | -          | -                       | -                        | -                    | 15,916          | 9,832                     | 882                   | 28,888     | 15,278         | 14,924           | -            | 85,720       |
| Bonds and insurance               | -                | -                     | -          | -                       | -                        | -                    | 75,014          | 1,625                     | -                     | 255        | 230            | 6,702            | -            | 83,826       |
| Consumables                       | -                | -                     | -          | -                       | -                        | -                    | 15,090          | 1,318                     | 189                   | 6,984      | 2,322          | 3,199            | -            | 29,102       |
| Depreciation                      | -                | -                     | -          | -                       | -                        | -                    | 55,278          | -                         | -                     | -          | -              | 73,394           | -            | 128,672      |
| Dues and memberships              | -                | -                     | -          | -                       | -                        | -                    | -               | -                         | -                     | 73         | 1,570          | 2,742            | -            | 4,385        |
| Equipment lease/rental            | -                | -                     | -          | -                       | -                        | -                    | (4,501)         | 1,363                     | -                     | 1,635      | 2,687          | 2,185            | -            | 3,369        |
| Interest expense                  | -                | 6,512                 | 10,683     | -                       | -                        | 9,304                | -               | -                         | -                     | -          | -              | -                | -            | 26,499       |
| Loan service/ administrative fees | 123,932          | 28,867                | -          | 14,032                  | 4,091                    | -                    | -               | -                         | -                     | -          | -              | -                | (170,922)    | -            |
| Office/warehouse rent             | -                | -                     | -          | -                       | -                        | -                    | 96,375          | 7,710                     | -                     | 12,718     | 13,258         | 9,382            | -            | 139,443      |
| Travel per diem                   | -                | -                     | -          | -                       | -                        | -                    | 8,764           | 354                       | 227                   | 530        | 30             | 1,246            | -            | 11,151       |
| Postage                           | -                | -                     | -          | -                       | -                        | -                    | 2,197           | 3,878                     | 152                   | 788        | 814            | 457              | -            | 8,286        |
| Printing and publishing           | -                | -                     | -          | -                       | -                        | -                    | 3,740           | 1,180                     | 34                    | 720        | 1,893          | 567              | -            | 8,134        |
| Provision for loan losses         | (37,529)         | (6,500)               | 13,000     | 15,357                  | (500)                    | (500)                | -               | -                         | -                     | -          | -              | -                | -            | (16,672)     |
| Publications                      | -                | -                     | -          | -                       | -                        | -                    | 2,315           | 35                        | -                     | 72         | 109            | 1,086            | -            | 3,617        |
| Seminars/conference and education | -                | -                     | -          | -                       | -                        | -                    | 5,181           | 205                       | -                     | 241        | 245            | 554              | -            | 6,426        |
| Telephone                         | -                | -                     | -          | -                       | -                        | -                    | 1,753           | 1,005                     | 637                   | 2,425      | 3,590          | 1,398            | -            | 10,808       |
| Training and technical assistance | -                | -                     | -          | 31,984                  | -                        | -                    | 10,203          | 810                       | -                     | -          | -              | -                | -            | 42,997       |
| Transportation                    | -                | -                     | -          | -                       | -                        | -                    | 8,916           | 12,411                    | 2,202                 | 2,828      | 1,043          | 2,298            | (16,803)     | 12,895       |
| Vehicle expense                   | -                | -                     | -          | -                       | -                        | -                    | 83,857          | 50                        | -                     | -          | -              | 207              | -            | 84,114       |
| Weatherization                    | -                | -                     | -          | -                       | -                        | -                    | 1,296,442       | -                         | -                     | -          | -              | -                | (43,445)     | 1,252,997    |
| Other expense                     | -                | -                     | -          | -                       | -                        | -                    | 10,057          | 12,487                    | 145                   | 5,949      | 1,391          | 1,542            | -            | 31,571       |
|                                   | 86,403           | 28,879                | 23,683     | 61,373                  | 3,591                    | 8,804                | 2,055,490       | 239,377                   | 99,152                | 210,005    | 350,255        | 260,953          | (231,170)    | 3,196,795    |
| Eliminations                      | (123,932)        | (28,867)              | -          | (14,032)                | (4,091)                  | -                    | (47,298)        | (12,114)                  | -                     | -          | -              | (836)            | 231,170      | -            |
| Total expenses                    | \$ (37,529)      | \$ 12                 | \$ 23,683  | \$ 47,341               | \$ (500)                 | \$ 8,804             | \$ 2,008,192    | \$ 227,263                | \$ 99,152             | \$ 210,005 | \$ 350,255     | \$ 260,117       | \$ -         | \$ 3,196,795 |

*The accompanying notes are an integral part of the financial statements.*

## South Central Kansas Economic Development District, Inc.

### Statements of Cash Flows

For the Years Ended June 30, 2015 and 2014

|   | <b>2015</b>         | <b>2014</b>         |
|---|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>           |                     |                     |
| Change in net assets                                  | \$ (14,497)         | \$ (142,810)        |
| Adjustments to reconcile change in net assets         |                     |                     |
| Depreciation  | 52,761              | 128,672             |
| In-kind contribution (Note 5)                         | (43,300)            | -                   |
| Provision for loan losses                             | (7,783)             | (16,672)            |
| Gain on disposal of assets                            | -                   | (32,759)            |
| Unrealized/realized gain on investments               | 21,887              | (33,399)            |
| Net changes in:                                       |                     |                     |
| Accounts receivable                                   | 5,037               | 8,891               |
| Grants receivable                                     | 32,355              | (60,851)            |
| Contracts receivable                                  | 5,315               | (64,559)            |
| Prepaid expenses                                      | 1                   | (521)               |
| Loans in process                                      | -                   | 18,617              |
| Interest receivable                                   | (2,261)             | (4,100)             |
| Supplies inventory                                    | 3,113               | (12,888)            |
| Accrued expenses                                      | 44,471              | (57,382)            |
| Interest payable                                      | 931                 | (1,268)             |
| Other liability                                       | -                   | (183,145)           |
| Deferred revenue                                      | (153,737)           | 148,023             |
| Funds held for others                                 | 350                 | 3                   |
| Net cash used by operating activities                 | (55,357)            | (306,148)           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>           |                     |                     |
| Loan disbursements                                    | (1,240,244)         | (741,984)           |
| Loan repayments                                       | 851,513             | 1,079,115           |
| Improvements to asset held for sale                   | (9,489)             | -                   |
| Purchases of property and equipment                   | (30,931)            | (42,885)            |
| Proceeds from sale of property and equipment          | -                   | 32,931              |
| Purchase of investments                               | (6,246)             | (216,246)           |
| Proceeds from investment redemption                   | -                   | 210,000             |
| Net cash provided by investing activities             | (435,397)           | 320,931             |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>           |                     |                     |
| Proceeds from notes payable                           | 246,000             | 390,000             |
| Repayment of notes payable                            | (310,219)           | (271,422)           |
| Net cash provided by financing activities             | (64,219)            | 118,578             |
| Net increase (decrease) in cash and cash equivalents  | (554,973)           | 133,361             |
| <b>CASH &amp; CASH EQUIVALENTS, BEGINNING OF YEAR</b> | 3,039,010           | 2,905,649           |
| <b>CASH &amp; CASH EQUIVALENTS, END OF YEAR</b>       | <b>\$ 2,484,037</b> | <b>\$ 3,039,010</b> |
| <b>SUPPLEMENTAL INFORMATION</b>                       |                     |                     |
| Cash paid for interest                                | \$ 20,662           | \$ 27,767           |

*The accompanying notes are an integral part of the financial statements.*

# South Central Kansas Economic Development District, Inc.

## Notes to Financial Statements

June 30, 2015 and 2014

### 1. Nature of Operations and Summary of Significant Accounting Policies

#### *Nature of operations*

South Central Kansas Economic Development District, Inc. (SCKEDD) is a not-for-profit organization, which provides economic development assistance to communities in a fourteen county area in south central Kansas. SCKEDD is engaged in lending activities to individual and corporate customers throughout the fourteen county area. Funding for these loans comes from grants and low interest rate loans from governmental agencies. The loans made by SCKEDD are generally secured by one or more of the following: personal property, real estate, inventory, accounts receivable or personal guarantees of the borrower. SCKEDD also has programs that assist cities and counties with community improvement, housing, and urgent need. SCKEDD also provides assistance to low income persons in making their homes more energy efficient.

#### *Use of estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Material estimates that are particularly susceptible to significant changes in the near-term relate to the determination of the allowance for loan losses related to notes receivable. SCKEDD, through its loan programs, makes loans to borrowers who have been unable to obtain loans from conventional sources because of the borrowers' credit circumstances. Management has recorded an allowance for loan losses related to these loans of \$328,000 and \$371,000 as of June 30, 2015 and 2014, respectively, which management believes to be adequate based on information currently known. In connection with arriving at the estimate of the allowance for loan losses, management has utilized aged notes receivable listings, historical experience, valuation estimates of collateral and current information of collection trends to arrive at the estimate for the uncollectable portion of notes receivable. The amount SCKEDD ultimately realizes in collecting these loans could differ materially in the near term from the carrying amount reflected in the financial statements.

#### *Income taxes*

The Organization is organized as a Kansas nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3). It has been classified as an organization that is not a private foundation under Section 509(c)(2) of the Internal Revenue Code. The Organization is required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS annually. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Organization has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

#### *Basis of accounting*

The financial statements of South Central Kansas Economic Development District, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**South Central Kansas Economic Development District, Inc.**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

**1. Nature of Operations and Summary of Significant Accounting Policies (Continued)**

*Cash and cash equivalents*

Cash and cash equivalents include cash in financial institutions and cash on hand.

*Supplies inventory*

Supplies inventory, which consists of air conditioning units and supplies used in the Weatherization Program, are valued at the lower of cost or market. Cost is determined by the average cost method.

*Notes receivable*

Notes receivable that management has the intent and ability to hold for the foreseeable future, or until maturity or pay-off, are reported at their outstanding principal balance adjusted for any charge-off and the allowance for loan losses.

The allowance for loan losses is increased by provisions charged to expense and reduced by loans charged off, net of recoveries. The allowance is maintained at a level considered adequate to provide for potential loan losses, based on management's evaluation of the loan portfolio, as well as on prevailing and anticipated economic conditions and historical losses by loan category.

General allowances have been established, based upon the aforementioned factors, and allocated to the individual loan categories. Allowances are accrued on specific loans evaluated for impairment for which the basis of each loan, including accrued interest, exceeds the discounted amount of expected future collections of interest and principal or, alternatively, the fair value of loan collateral.

A loan is considered impaired when it is probable that SCKEDD will not receive all amounts due according to the original contractual terms of the loan. This includes non-accrual loans, restructured loans with adjustments to term or rates and certain other loans identified by management. Accrual of interest is discontinued when the loan is past due more than 120 days. Interest is recognized for non-accrual loans only upon receipt, and only after all principal amounts are current according to the terms of the contract.

*Investments*

Investments in equity securities with readily determinable fair values and all investments in debt securities shall be measured at fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

*Property and equipment*

Property and equipment are carried at cost, if purchased, or the approximate fair market value at the date of donation. The Organization capitalizes all expenditures for property and equipment in excess of \$500, subject to management's discretion.

Depreciation expense totaled \$52,761 and \$128,672 for the years ended June 30, 2015 and 2014, respectively. Property and equipment is depreciated by the straight-line method over the following useful lives:

|                         |                |
|-------------------------|----------------|
| Leasehold improvements  | 21 - 60 months |
| Furniture and equipment | 5 years        |
| Vehicles                | 5 years        |

The Organization's policy is to depreciate property and equipment over their remaining useful life. The Organization periodically evaluates the remaining useful life and recoverability of such property and equipment in light of current circumstances, and believes it will recover the carrying amount in future operations.

**South Central Kansas Economic Development District, Inc.**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

**1. Nature of Operations and Summary of Significant Accounting Policies (Continued)**

*Deferred revenue*

Deferred revenue items represent amounts received or accrued in advance. As services are performed, the related revenue is recognized.

*Net asset classification*

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization receives the majority of its funding under fee-for-service and cost-reimbursement contracts where SCKEDD is the recipient of various grants and contracts with governmental organizations. Because the governmental organizations receive commensurate value, these funding arrangements are classified as exchange transactions, and are thus reported as unrestricted support. Accordingly, all of SCKEDD's net assets are classified as unrestricted. SCKEDD has no temporarily restricted or permanently restricted net assets.

*Fund classification*

Internally, management monitors the activity of SCKEDD's various programs by specific funds. These specific funds are categorized into the following five general funds for external financial reporting purposes.

Loan Funds

Loan funds consist of the actual loan fund and loan loss reserve funds for the Revolving Loan Fund Program, Intermediary Relending Program, Microloan Program, Rural Business Development Tax Credit Program, Rural Business Enterprise Grant, and Rural Microentrepreneur Assistance Program. See Note 3 Notes Receivable for a further description of the loan programs.

Trust Funds

Trust funds consist of cash and other assets which the Organization manages on behalf of other government, or government related entities. All such funds are per written agreement and are typically short term in nature. A liability is recognized payable to the other organization equal to the carrying value of assets held. Revenue and expenses are not recognized within these funds.

Weatherization

Weatherization consists of three grant programs administered by the Organization during the year ending June 30, 2015 and two grant programs during the year ending June 30, 2014. These programs are funded by pass-through grants from the Kansas Housing Resources Corporation. Two of the grant programs originate from the U.S. Department of Energy and U.S. Department of Health and Human Services. The primary purpose of the programs is to assist low income persons in making their homes more energy efficient.

Administrative Contracts & Grants

SCKEDD routinely enters into contracts with local units of government in our fourteen-county service area that have received grants from a State or Federal program and receives a fee for administering those grants. Typically, SCKEDD participates in a competitive bid process for the administration of the grant. Contract administration includes all dealings between parties to a contract from the time a contract is awarded until the work has been completed and accepted or the contract terminated, payment has been made, and disputes have been resolved.

**South Central Kansas Economic Development District, Inc.**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

**1. Nature of Operations and Summary of Significant Accounting Policies (Continued)**

*Fund classification (Continued)*

Administrative Contracts & Grants (Continued)

SCKEDD currently administers grant contracts from:

- Kansas Department of Commerce's Community Development Block Grant (CDBG) and Neighborhood Stabilization Program (NSP) programs,
- USDA's Housing Preservation Grant,
- EDA's public works grants for business infrastructure needs, and
- State of Kansas CDBG Microloan programs for businesses in eight counties.

SCKEDD also enters into contracts to provide direct administrative support to:

- North Central Regional Planning Commission for its administrative contract for Homeland Security,
- Network Kansas for its many business loan programs, including Start Up Kansas, Capital Multiplier, RBEG, and numerous E-Community funds

SCKEDD is also the recipient of direct grants from the SBA for providing ongoing technical assistance in marketing, management, business counseling and training to SBA funded microborrowers and prospective microborrowers.

Local General

Local General consists of a variety of activities administered by the Organization. The servicing activity related to servicing SCKEDD's Revolving Loan Fund Program, Intermediary Relending Program and Microloan programs are recognized in this fund as well as the SBA 504 loan program and SBA 7A loan program. Also included are general economic development activities which are funded by a federal grant from the U.S. Economic Development Administration. This fund also includes the general administration activities of SCKEDD.

*Revenue Recognition*

Grant revenue from granting agencies and contract and fees for service revenue are recognized as revenue when services are provided.

*Interest Income*

Interest income is recognized as earned.

*Expense allocation*

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**South Central Kansas Economic Development District, Inc.**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

**2. Investments**

Investments consist of the following at June 30:

|                          | <b>2015</b> | <b>2014</b> |
|--------------------------|-------------|-------------|
| Investment securities    |             |             |
| Money market account     | \$ 1,584    | \$ 2,425    |
| Mutual fund-fixed income | 120,321     | 115,940     |
| Equity securities        | 35,710      | 54,891      |
| Certificate of deposit   | 210,000     | 210,000     |
|                          | \$ 367,615  | \$ 383,256  |

The certificate of deposit was renewed on June 2, 2014 for \$210,000 with an interest rate of 0.3% and matures on July 6, 2015. The certificate of deposit is carried at cost. The certificate of deposit is used as collateral on notes payable.

Generally accepted accounting principles provide that fair value can be measured utilizing one of three methodologies; quoted prices in active markets for identical assets (level 1), observable inputs such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset (level 2), and significant unobservable inputs (level 3). The carrying value of the investment securities, which are carried at fair value, are based on fair values as determined by level 1 estimates.

**3. Interest Receivable**

Interest receivable consists of the following at June 30:

|                                | <b>2015</b> | <b>2014</b> |
|--------------------------------|-------------|-------------|
| Total interest receivable      | \$ 44,369   | \$ 42,108   |
| Less allowance for loan losses | (2,000)     | (2,000)     |
| Interest receivable, net       | \$ 42,369   | \$ 40,108   |

**4. Notes Receivable**

The loan funds consist of amounts loaned to companies for economic development purposes. The proceeds available for loans are provided by grants from the Economic Development Administration (EDA) and from low interest loans from USDA Rural Development, formerly known as Farmer's Home Administration (FmHA), and the Small Business Administration (SBA), and from contributions received under the Kansas Economic Growth Act of 2004.

*Revolving Loan Fund Program*

The Revolving Loan Fund Program (RLF) was started in 1979 with a \$720,000 grant to SCKEDD from the EDA. The terms of the grant provide for loans to businesses meeting certain qualifications, in a particular geographic area, that are unable to find funding through other sources. The program was monitored by the EDA for a period of five years. After this five-year period the funds remain restricted for the original purpose of the grant. During the year ended June 30, 1991, SCKEDD received an additional \$590,000 to assist in the economic development of counties affected by a tornado on March 13, 1990. The terms of the grant provide for loans to businesses, meeting certain qualifications, in a particular geographic area. During the year ended June 30, 2008, SCKEDD received approval from the EDA to merge the 1979 and 1991 grant funds into one fund. This has been reflected in current year detail, as total RLF funds are now shown as the EDA - RLF - 1979 fund. Over the years the EDA has expanded the geographic areas served by the RLF program to include all fourteen counties of SCKEDD.

# South Central Kansas Economic Development District, Inc.

## Notes to Financial Statements

June 30, 2015 and 2014

### 4. Notes Receivable (Continued)

#### *Intermediary Relending Program*

During the years ended June 30, 1990 and 1993, SCKEDD received low interest loans from USDA Rural Development (formerly known as FmHA). The purpose of these loans was to provide loans to businesses that qualify for the Farmer's Home Intermediary Relending Program (IRP). SCKEDD was awarded an additional loan of \$172,000 on July 25, 2011. SCKEDD has drawn \$111,000 and \$25,000 of these funds during the years ended June 30, 2015 and June 30, 2014, respectively. The terms of the new loan are similar to the previous loans.

#### *Rural Business Development Tax Credit Program*

The Rural Business Development Tax Credit Program (RBDTC) was funded by cash contributions made to SCKEDD under the Kansas Economic Growth Act of 2004. The Kansas Economic Growth Act of 2004 authorized tax credits for individuals and businesses making cash contributions to selected regional foundations that provide services in the area of rural business development. State of Kansas tax credits are awarded to donors equal to 75% of their contribution to SCKEDD for each of the respective years. The program is monitored by the Kansas Department of Commerce. Contributions are segregated from other funds and maintained in a separate bank account. Further contributions will not be collected subsequent to the SFY 2013 (July 1, 2012 through December 31, 2013). Accordingly, no tax credits were awarded to any donors. SCKEDD maintains notes receivable in relation to the program.

#### *Rural Business Enterprise Program*

The Rural Business Enterprise Grant (RBEG) funds were received from USDA-Rural Development in 2004 to establish a revolving loan fund for small business start-up and growth lending in population areas of less than 50,000, meeting certain qualifications, and in a particular geographic area (SCKEDD's 14-county region). These funds have been loaned and repaid and are no longer federalized.

#### *Microloan Program*

SCKEDD received low interest rate loans from the SBA for multiple years. SCKEDD is using proceeds of these loans to make additional loans to start-up newly established or growing qualified small businesses for the provision of working capital, materials, supplies, or equipment. During the year ended June 30, 2011, the SBA increased the maximum loan allowed under the program from \$35,000 to \$50,000. On June 27, 2013, SCKEDD received approval for an additional \$500,000 microloan. SCKEDD has drawn \$500,000 and \$365,000 of these funds during the years ended June 30, 2015 and 2014, respectively. The terms of the new loan are similar to the previous loans.

As part of the SBA Microloan Programs, SCKEDD is required to fund loan loss reserves associated with SBA microloans. SCKEDD's funding of the original loan loss reserves was obtained from two grantors. The 2009 Microloan loan loss reserve funding was obtained from one grantor. Management's policy is to recharge all loan loss reserve funding through any excess of interest income over interest expense. If that interest does not cover loan loss recharge, nonfederal local money is used to fund the reserve. These recharges totaled \$35,110 and \$0 for the years ended June 30, 2015 and 2014, respectively, and have been eliminated for financial statement presentation purposes.

#### *Rural Microenterprise Assistance Program*

During the year ended June 30, 2011, SCKEDD received a low interest rate loan from the USDA-Rural Development. SCKEDD is using the proceeds of the loan to make loans, up to \$50,000, to businesses in the rural community outside of Wichita that have ten or fewer employees. The loans made to the rural businesses may be used for any business need except for construction.



**South Central Kansas Economic Development District, Inc.**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

**4. Notes Receivable (Continued)**

*Rural Microenterprise Assistance Program (Continued)*

As part of the program, SCKEDD is required to fund loan loss reserves associated with the RMAP loans. SCKEDD's funding of the loss reserve was obtained from a grant in the year ending June 30, 2011. A minimum of 5% must be kept in the loan loss reserves for the RMAP loans.

*Loan administration and servicing fees*

Administration and servicing fees of \$60,325, \$20,165 \$10,844, and \$3,209 were charged on the RLF, IRP, RBDTC, and RBEG loan funds, respectively, for the year ended June 30, 2015 and of \$123,932, \$28,867, \$14,032, and \$4,091 were charged on the RLF, IRP, RBDTC, and RBEG loan funds, respectively, for the year ended June 30, 2014. These fees are derived from the net interest income resulting from the loan funds.

These fees are recognized as revenue in the local general fund and as expenses in the loan funds. These fees have been eliminated for financial statement presentation purposes.

Other loan administration and servicing fees of \$92,001 and \$104,004 were recognized for the years ended June 30, 2015 and 2014, respectively, for other assistance with the origination and servicing of other SBA loans not held by SCKEDD.

Notes receivable at June 30 are summarized as follows:

|                              | <b>2015</b>         |                              |                     | <b>2014</b>         |                              |                     |
|------------------------------|---------------------|------------------------------|---------------------|---------------------|------------------------------|---------------------|
|                              | Loan<br>Amount      | Allowance for<br>Loan Losses | Net                 | Loan<br>Amount      | Allowance for<br>Loan Losses | Net                 |
| Loan Fund                    |                     |                              |                     |                     |                              |                     |
| EDA-RLF                      | \$ 865,234          | \$ 71,000                    | \$ 794,234          | \$ 753,148          | \$ 95,000                    | \$ 658,148          |
| FmHA-1990 IRP                | 193,919             | 93,000                       | 100,919             | 264,681             | 57,000                       | 207,681             |
| FmHA-1993 IRP                | 268,813             | 14,000                       | 254,813             | 298,344             | 77,000                       | 221,344             |
| FmHA-2011 IRP                | 135,050             | 7,000                        | 128,050             | 24,887              | 1,500                        | 23,387              |
| SBA-2001/2003/2005 Microloan | 64,227              | 6,000                        | 58,227              | 120,417             | 12,000                       | 108,417             |
| SBA-2009 Microloan           | 331,514             | 50,000                       | 281,514             | 282,161             | 59,000                       | 223,161             |
| SBA-2013 Microloan           | 432,647             | 52,000                       | 380,647             | 239,568             | 12,000                       | 227,568             |
| RBDTC                        | 345,622             | 22,000                       | 323,622             | 314,911             | 45,000                       | 269,911             |
| RBEG                         | 57,697              | 4,000                        | 53,697              | 81,309              | 5,500                        | 75,809              |
| RMAP                         | 171,323             | 9,000                        | 162,323             | 133,106             | 7,000                        | 126,106             |
|                              | <u>\$ 2,866,046</u> | <u>\$ 328,000</u>            | <u>\$ 2,538,046</u> | <u>\$ 2,512,532</u> | <u>\$ 371,000</u>            | <u>\$ 2,141,532</u> |

**South Central Kansas Economic Development District, Inc.**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

**4. Notes Receivable (Continued)**

Following is an analysis of the changes in the allowance for loan losses:

|                              | Activity          |                    |                    | Activity          |                   |                 |                   |
|------------------------------|-------------------|--------------------|--------------------|-------------------|-------------------|-----------------|-------------------|
|                              | Balance           | FYE June 30, 2014  |                    | Balance           | FYE June 30, 2015 |                 | Balance           |
|                              |                   | June 30            | Charge-            |                   | Provision         | June 30         |                   |
|                              | 2013              | Offs               | for Loan Losses    | 2014              | Offs              | for Loan Losses | 2015              |
| Loan Fund                    |                   |                    |                    |                   |                   |                 |                   |
| EDA-RLF                      | \$ 119,000        | \$ (13,529)        | \$ (37,529)        | \$ 95,000         | \$ (7,279)        | \$ (31,279)     | \$ 71,000         |
| FmHA-1990 IRP                | 56,000            | -                  | 1,000              | 57,000            | -                 | 36,000          | 93,000            |
| FmHA-1993 IRP                | 86,000            | -                  | (9,000)            | 77,000            | (3,209)           | (66,209)        | 14,000            |
| FmHA-2011 IRP                | -                 | -                  | 1,500              | 1,500             | -                 | 5,500           | 7,000             |
| SBA-2001/2003/2005 Microloan | 22,000            | -                  | (10,000)           | 12,000            | (1,212)           | (7,212)         | 6,000             |
| SBA-2009 Microloan           | 48,000            | -                  | 11,000             | 59,000            | 34,342            | 25,342          | 50,000            |
| SBA-2013 Microloan           | -                 | -                  | 12,000             | 12,000            | -                 | 40,000          | 52,000            |
| RBDC                         | 30,000            | 357                | 15,357             | 45,000            | 28,141            | 5,141           | 22,000            |
| RBEG                         | 6,000             | -                  | (500)              | 5,500             | -                 | (1,500)         | 4,000             |
| RMAP                         | 7,500             | -                  | (500)              | 7,000             | -                 | 2,000           | 9,000             |
|                              | <u>\$ 374,500</u> | <u>\$ (13,172)</u> | <u>\$ (16,672)</u> | <u>\$ 371,000</u> | <u>\$ 50,783</u>  | <u>\$ 7,783</u> | <u>\$ 328,000</u> |

Following is the recorded investment in loans which are 90 days or more past due and are on nonaccrual status as of June 30:

|                              | <u>2015</u>       | <u>2014</u>       |
|------------------------------|-------------------|-------------------|
| Loan Fund                    |                   |                   |
| EDA-RLF                      | \$ 9,136          | \$ 37,923         |
| FmHA- IRP                    | 87,427            | 99,143            |
| SBA-2001/2003/2005 Microloan | -                 | 14,369            |
| SBA-2009 Microloan           | -                 | 52,320            |
| SBA-2013 Microloan           | 24,441            | -                 |
| RBDC                         | -                 | 34,302            |
| RBEG                         | 974               | 1,594             |
|                              | <u>\$ 121,978</u> | <u>\$ 239,651</u> |

The amount of interest not recognized on nonaccrual loans was approximately \$11,284 and \$22,402 for the years ended June 30, 2015 and 2014, respectively.

# South Central Kansas Economic Development District, Inc.

## Notes to Financial Statements

**June 30, 2015 and 2014**

### 4. Notes Receivable (Continued)

Following is information relating to impaired loans as of June 30. All loans which are considered impaired have specific allowances established for the estimated loss.

|           |                              | <b>2015</b>                   |                                |                                 |                                  |
|-----------|------------------------------|-------------------------------|--------------------------------|---------------------------------|----------------------------------|
|           |                              | Ending<br>Impaired<br>Balance | Average<br>Impaired<br>Balance | Allowance<br>for Loan<br>Losses | Interest Income<br>Cash<br>Basis |
| Loan Fund |                              |                               |                                |                                 |                                  |
|           | EDA-RLF-1979                 | \$ 133,710                    | \$ 233,673                     | \$ 44,000                       | \$ 4,950                         |
|           | FmHA-1990 IRP                | 87,427                        | 96,125                         | 87,000                          | -                                |
|           | SBA-2001/2003/2005 Microloan | 29,861                        | 27,908                         | 4,000                           | 1,645                            |
|           | SBA-2009 Microloan           | 29,031                        | 36,689                         | 27,000                          | 2,300                            |
|           | SBA-2013 Microloan           | 24,441                        | 12,221                         | 24,000                          | 1,759                            |
|           | RBDTC                        | 12,601                        | 37,868                         | 5,000                           | 1,133                            |
|           | RBEG                         | 974                           | 487                            | 1,000                           | -                                |
|           |                              | <u>\$ 318,045</u>             | <u>\$ 505,814</u>              | <u>\$ 192,000</u>               | <u>\$ 11,787</u>                 |
|           |                              | <b>2014</b>                   |                                |                                 |                                  |
|           |                              | Ending<br>Impaired<br>Balance | Average<br>Impaired<br>Balance | Allowance<br>for Loan<br>Losses | Interest Income<br>Cash<br>Basis |
| Loan Fund |                              |                               |                                |                                 |                                  |
|           | EDA-RLF-1979                 | \$ 333,636                    | \$ 379,260                     | \$ 79,000                       | \$ 24,240                        |
|           | FmHA-1990 IRP                | 104,822                       | 96,597                         | 50,000                          | 5,300                            |
|           | FmHA-1993 IRP                | 121,688                       | 123,945                        | 67,000                          | 7,450                            |
|           | SBA-2001/2003/2005 Microloan | 25,954                        | 28,859                         | 4,000                           | 996                              |
|           | SBA-2009 Microloan           | 44,347                        | 57,513                         | 37,000                          | 1,123                            |
|           | RBDTC                        | 63,135                        | 70,877                         | 32,000                          | 4,922                            |
|           | RBEG                         | 1,594                         | 1,530                          | 500                             | -                                |
|           | RMAP                         | -                             | 19,365                         | -                               | -                                |
|           |                              | <u>\$ 695,176</u>             | <u>\$ 777,946</u>              | <u>\$ 269,500</u>               | <u>\$ 44,031</u>                 |

### 5. Asset Held for Sale

During the year ended June 30, 2015, a residential building was contributed to SCKEDD. The fair market value on the date of donation was \$43,300. SCKEDD made improvements to the residential building of \$9,489. As of June 30, 2015, the residential building is an asset held for sale on the statement of financial position at \$52,789.

### 6. Property and Equipment

Property and equipment consist of the following for June 30, 2015 and 2014:

|                               | <b>2015</b>      | <b>2014</b>      |
|-------------------------------|------------------|------------------|
| Furniture and equipment       | \$ 231,552       | \$ 231,552       |
| Autos and trucks              | 590,890          | 559,960          |
| Leasehold improvements        | 19,651           | 19,651           |
|                               | <u>842,093</u>   | <u>811,163</u>   |
| Less accumulated depreciation | 778,229          | 725,469          |
| Total property and equipment  | <u>\$ 63,864</u> | <u>\$ 85,694</u> |

**South Central Kansas Economic Development District, Inc.**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

**7. Notes Payable**

Notes payable at June 30 are summarized as follows:

|  | <u>2015</u>         | <u>2014</u>         |
|--|---------------------|---------------------|
| <b>Note payable to FmHA-1990</b> The note is payable in annual installments of \$29,925 through October 27, 2019, which includes interest at 1% per annum and is collateralized by a Certificate of Deposit in the possession of a local bank (Note 2). Also, the contract rights of the loans made by SCKEDD in the IRP are pledged as additional collateral.   | \$ 139,933          | \$ 168,117          |
| <b>Note payable to FmHA-1993</b> The note is payable in annual installments of \$51,412 through March 11, 2023, which includes interest at 1% per annum and is collateralized by the contract rights of the loans made by SCKEDD in the IRP.   | 388,670             | 435,808             |
| <b>Note payable to FmHA-2011</b> - The note is payable in annual installments through October 1, 2041, which includes interest at 1% per annum and is collateralized by the contract rights of the loans and the depository accounts of the intermediary relending program and loan loss reserve accounts made by SCKEDD in the IRP program. Interest only payments are due for the first 3 years of the loan and principal and interest will be paid in 27 yearly installments.                                   | 136,000             | 25,000              |
| <b>Note payable to SBA-2005</b> - The note is payable in monthly installments, including interest of 2.625% to maturity on August 4, 2015. No principal or interest is required during the first 12 months. Interest accrued during the first 12 months will be paid in 108 equal installments over the remaining life of the note and added to the monthly installment. The contract rights of the loans made by SCKEDD in the Microloan Program and related loan loss reserve funding are pledged as collateral. | 17,126              | 123,376             |
| <b>Note payable to SBA-2009</b> -The note is payable in monthly installments, including interest of 2.625% to maturity on September 11, 2019. Interest accrued during the first 12 months will be paid in 108 equal installments over the remaining term of the note and added to the monthly installments. The contract rights of the loans made by SCKEDD in the Microloan Program and related loan loss reserve funding are pledged as collateral.  | 323,231             | 395,135             |
| <b>Note payable to SBA-2013</b> -The note is payable in monthly installments to maturity on June 7, 2023. Based upon the terms of the note, SCKEDD was able to buy down the interest rate to 0%. The contract rights of the loans made by SCKEDD in the Microloan Program and related loan loss reserve funding are pledged as collateral.   | 459,445             | 365,000             |
| <b>Note payable to USDA- RMAP</b> - The note is payable in monthly installments, including interest of 2.0% to maturity on December 29, 2030. The contract rights of the loans made by SCKEDD in the RMAP Program and related loan loss reserve funding are pledged as collateral. The maximum amount available is \$375,000.  | 343,239             | 359,427             |
|  | <u>\$ 1,807,644</u> | <u>\$ 1,871,863</u> |

**South Central Kansas Economic Development District, Inc.**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

**7. Notes Payable (Continued)**

Aggregate annual maturities of notes payable on June 30, 2015 are summarized as follows:

| Year ended<br>June 30 | 1990<br>FmHA      | 1993<br>FmHA      | 2011<br>FmHA      | 2005<br>SBA      | 2009<br>SBA       | 2013<br>SBA       | RMAP              | Total               |
|-----------------------|-------------------|-------------------|-------------------|------------------|-------------------|-------------------|-------------------|---------------------|
| 2016                  | \$ 28,517         | \$ 47,504         | \$ 5,503          | \$ 17,126        | \$ 70,872         | \$ 50,570         | \$ 18,974         | \$ 239,066          |
| 2017                  | 28,804            | 47,981            | 5,558             | -                | 72,032            | 57,723            | 19,357            | 231,455             |
| 2018                  | 29,093            | 48,463            | 5,614             | -                | 73,212            | 57,723            | 19,747            | 233,852             |
| 2019                  | 29,385            | 48,950            | 5,670             | -                | 74,410            | 57,723            | 20,146            | 236,284             |
| 2020                  | 24,134            | 49,442            | 5,726             | -                | 32,705            | 57,723            | 20,552            | 190,282             |
| Thereafter            | -                 | 146,330           | 107,929           | -                | -                 | 177,983           | 244,463           | 676,705             |
|                       | <u>\$ 139,933</u> | <u>\$ 388,670</u> | <u>\$ 136,000</u> | <u>\$ 17,126</u> | <u>\$ 323,231</u> | <u>\$ 459,445</u> | <u>\$ 343,239</u> | <u>\$ 1,807,644</u> |

**8. Operating Leases**

*Office and Warehouse Leases*

The operating lease for office facilities requires monthly payments of \$3,917 and expired May 31, 2015. On May 10, 2012, SCKEDD entered into a new warehouse operating lease which expired May 31, 2015. Under this agreement, monthly payments of \$8,400 are made for the remainder of the lease. SCKEDD is currently on month to month agreements with the office facilities and the warehouse leases. SCKEDD is planning to move the office facilities and warehouse to one building in January 2016.

During the years ended June 30, 2015 and 2014, SCKEDD received \$0 and \$8,800, respectively, under a sublease to an unaffiliated organization which offset lease expense. The sublease was terminated on May 31, 2014.

Rent expense for the years ended June 30, 2015 and 2014 was \$114,927 and \$139,444, respectively.

*Equipment Leases*

SCKEDD leases printers under operating leases. These leases require monthly payments with additional charges for copies and service calls. Future minimum lease payments at June 30, 2015, are as follows:

| <u>Year Ended June 30</u> | <u>Total</u>     |
|---------------------------|------------------|
| 2016                      | \$ 8,544         |
| 2017                      | 8,544            |
| 2018                      | 7,774            |
| 2019                      | 3,142            |
| 2020                      | 829              |
|                           | <u>\$ 28,833</u> |

Expenses recognized related to the copier lease were \$7,934 and \$7,911 for the year ended June 30, 2015 and 2014, respectively.

**South Central Kansas Economic Development District, Inc.**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

**9. Retirement Plan**

SCKEDD participates in a tax-deferred annuity plan qualified under section 403(b) of the Internal Revenue Code that covers substantially all of its employees. Retirement plan expense totaled \$83,643 and \$106,236 for the years ended June 30, 2015 and 2014, respectively.

**10. Contingencies**

SCKEDD is a party to various legal actions and administrative proceedings and subject to various claims arising in the ordinary course of business related to its programs, contracts, and personnel issues. SCKEDD and its legal counsel believe the disposition of these matters will not have a material adverse effect on the financial position of SCKEDD.

**11. Commitments**

SCKEDD was committed to fund new loans totaling \$39,500 and \$150,280 at June 30, 2015 and 2014, respectively. These outstanding loan commitments were authorized under various loan programs as described in Note 3.

**12. Contributions in-kind**

The Organization receives contributed services as in-kind contributions from the governmental units within SCKEDD's fourteen county area that provide economic planning assistance to their respective counties. The value of these services that are included in the financial statements for the years ended June 30, 2015 and 2014 are \$32,566 and \$30,417, respectively.

During the year ended June 30, 2015, a residential building was contributed to SCKEDD. The fair market value on the date of donation was \$43,300. No buildings were donated during the year ended June 30, 2014.

**13. Concentrations**

SCKEDD receives a large portion of its funding from governmental grants. Grant revenues approximate 70% and 69% of total revenue for the years ended June 30, 2015 and 2014, respectively.

**14. Prior Period Adjustment**

Accrued interest on four microloan accounts was not included in the audited financials for the years ended June 30, 2014 and 2013. The interest income on the statement of activities for the year ended June 30, 2014 was increased by \$7,022. The net assets as of June 30, 2014 was increased by \$20,032 for the interest income earned during the year ended June 30, 2013. The interest receivable on the statement of financial position at June 30, 2014 was increased by \$27,054.

**15. Subsequent Events**

Management of the Organization has evaluated events subsequent to the statement of financial position date (June 30, 2015) through December 3, 2015, the date the financial statements were available to be issued.

## **Supplemental Information**

**South Central Kansas Economic Development District, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2015**

| Federal Grantor/Pass-Through<br>Grantor/Program Title/<br>Grant Period | Federal<br>CFDA<br>Number | Other<br>Grant Number/<br>Loan Number | Expenditures<br>of Federal<br>Awards |
|--|---------------------------|---------------------------------------|--------------------------------------|
| <b>U.S. Department of Agriculture</b>                                  |                           |                                       |                                      |
| Rural Business-Cooperative Service                                     |                           |                                       |                                      |
| Intermediary Relending Program   |                           |                                       |                                      |
| Direct Loan  | 10.767                    | IRP-1990                              | \$ 139,933                           |
| Direct Loan  | 10.767                    | IRP-1993                              | 388,670                              |
| Direct Loan  | 10.767                    | IRP-2011                              | 136,000                              |
| Total Direct Loans   |                           |                                       | <u>664,603</u>                       |
| Rural Microentrepreneur Assistance Program                             |                           |                                       |                                      |
| Direct Loan  | 10.870                    | IRP-RMAP                              | 343,239                              |
| Formula Grant  | 10.870                    | RDBCP-10-RMAP                         | 2,861                                |
| Total Direct Loan and Formula Grant                                    |                           |                                       | <u>346,100</u>                       |
| Total U.S. Department of Agriculture                                   |                           |                                       | <u>1,010,703</u>                     |
| <b>U.S. Department of Commerce</b>                                     |                           |                                       |                                      |
| Economic Development Administration                                    |                           |                                       |                                      |
| Economic Development   |                           |                                       |                                      |
| Support for Planning Organizations                                     | 11.302                    | 05-89-01822                           | 1,852,897                            |
| Technical Assistance   | 11.303                    | F058304903                            | 63,000                               |
| Total U.S. Department of Commerce                                      |                           |                                       | <u>1,915,897</u>                     |
| <b>U.S. Small Business Administration</b>                              |                           |                                       |                                      |
| Microloan Program  |                           |                                       |                                      |
| Direct Loan  | 59.046                    | 4396434108                            | 17,126                               |
| Direct Loan  | 59.046                    | 3630995004                            | 323,231                              |
| Direct Loan  | 59.046                    | 6108215005                            | 459,445                              |
| Total Direct Loans   |                           |                                       | <u>799,802</u>                       |
| Formula Grant  | 59.046                    | SBAHQ-14-Y-0029                       | 105,208                              |
| Total Formula Grant  |                           |                                       | <u>105,208</u>                       |
| Total U.S. Small Business Administration                               |                           |                                       | <u>905,010</u>                       |
| <b>U.S. Department of Energy</b>                                       |                           |                                       |                                      |
| Weatherization Assistance for Low-Income Persons                       |                           |                                       |                                      |
| Pass-Through from Kansas Housing Resources Corporation                 |                           |                                       |                                      |
| Weatherization Assistance Program                                      | 81.042                    | DOE-14-13                             | 478,101                              |
| Total U.S. Department of Energy  |                           |                                       | <u>478,101</u>                       |
| <b>U.S. Department of Health and Human Services</b>                    |                           |                                       |                                      |
| Administration for Children and Families                               |                           |                                       |                                      |
| Low-Income Home Energy Assistance                                      |                           |                                       |                                      |
| Pass-Through from Kansas Housing Resources Corporation                 |                           |                                       |                                      |
| Low-Income Home Energy Assistance                                      | 93.568                    | LP-13-13                              | 267,458                              |
| Low-Income Home Energy Assistance                                      | 93.568                    | LP-14-13                              | 1,214,997                            |
| Low-Income Home Energy Assistance                                      | 93.568                    | LP-15-13                              | 131,068                              |
| Total U.S. Department of Health and Human Services                     |                           |                                       | <u>1,613,523</u>                     |
| Total Expenditures of Federal Awards                                   |                           |                                       | <u>\$ 5,923,234</u>                  |



**South Central Kansas Economic Development District, Inc.**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2015**

**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of South Central Kansas Economic Development District, Inc. and is presented on the accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements, including the capitalization and depreciation of property assets.

**2. Direct Loans**

The following schedule summarizes outstanding balance of direct loans as of June 30, 2015, and the expenditures of federal awards.

| Federal Grantor/Pass-Through<br>Grantor/Program Title/<br>Grant Period | Federal<br>CFDA<br>Number | Other<br>Grant Number/<br>Loan Number | Balance<br>of Direct<br>Loans |
|--|---------------------------|---------------------------------------|-------------------------------|
| <b>U.S. Department of Agriculture</b>                                  |                           |                                       |                               |
| Rural Development-Cooperative Service                                  |                           |                                       |                               |
| Intermediary Relending Program   |                           |                                       |                               |
| Direct Loan  | 10.767                    | IRP-1990                              | \$ 139,933                    |
| Direct Loan  | 10.767                    | IRP-1993                              | 388,670                       |
| Direct Loan  | 10.767                    | IRP-2011                              | 136,000                       |
| Direct Loan  | 10.870                    | IRP-RMAP                              | 343,239                       |
| Total U.S. Department of Agriculture                                   |                           |                                       | <u>1,007,842</u>              |
| <b>U.S. Small Business Administration</b>                              |                           |                                       |                               |
| Microloan Program  |                           |                                       |                               |
| Direct Loan  | 59.046                    | 4396434108                            | 17,126                        |
| Direct Loan  | 59.046                    | 3630995004                            | 323,231                       |
| Direct Loan  | 59.046                    | 6108215005                            | 459,445                       |
| Total U.S. Small Business Administration                               |                           |                                       | <u>799,802</u>                |
| Total Direct Loans   |                           |                                       | <u>\$ 1,807,644</u>           |

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
South Central Kansas Economic Development District, Inc.  
Wichita, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of South Central Kansas Economic Development District, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 3, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered South Central Kansas Economic Development District, Inc.’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of South Central Kansas Economic Development District, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether South Central Kansas Economic Development District, Inc.’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items (2015-001).

**South Central Kansas Economic Development District, Inc.’s Response to Findings**

South Central Kansas Economic Development District, Inc.’s response to the findings identified in our audit is described in the accompanying schedule of findings. South Central Kansas Economic Development District, Inc.’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Regin C. E. Monroe, CPA

December 3, 2015  
Wichita, Kansas

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Directors  
South Central Kansas Economic Development District, Inc.  
Wichita, Kansas

**Report on Compliance for Each Major Federal Program**

We have audited South Central Kansas Economic Development District, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of South Central Kansas Economic Development District, Inc.'s major federal programs for the year ended June 30, 2015. South Central Kansas Economic Development District, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of South Central Kansas Economic Development District, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about South Central Kansas Economic Development District, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of South Central Kansas Economic Development District, Inc.'s compliance.

***Opinion on Each Major Federal Program***

In our opinion, South Central Kansas Economic Development District, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

**Report on Internal Control over Compliance**

Management of South Central Kansas Economic Development District, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered South Central Kansas Economic Development District, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of South Central Kansas Economic Development District, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

December 3, 2015  
Wichita, Kansas

*Regis C. E. Monroe, CPA*

**South Central Kansas Economic Development District, Inc.**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2015**

**SECTION I-Summary of Auditor's Results**

Type of auditor's report issued: unmodified

Internal control over financial reporting:

-Material weakness identified?   X   yes        no

-Significant deficiencies identified that are not considered to be material weaknesses?        yes   X   none reported

Noncompliance material to financial statements noted?   X   yes        no

*Federal Awards*

Internal control over major programs:

-Material weakness identified?        yes   X   no

-Significant deficiencies identified that are not considered to be material weaknesses?        yes   X   none reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with sections 510 (a) of Circular A-133?   X   yes        no

| CFDA Number | Name of Federal Program   |
|-------------|---|
| 10.767      | U.S. Department of Agriculture - Rural Business - Cooperative Service - Intermediary Relending Program                        |
| 11.302      | U.S. Department of Commerce - Economic Development Administration - Economic Development - Support for Planning Organizations |

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   yes        no

**South Central Kansas Economic Development District, Inc.**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2015**

**SECTION II-Financial Statement Findings**

**2015-001 Cost Reimbursement Reporting-**

**Condition:** Revenue was accrued in excess of what was earned due to reported cost reimbursement expenses being greater than expenses incurred.

**Criteria:** Additional expenses were reported than what had been incurred for the period.

**Cause:** A check was written for a new truck in June 2015 and was held until August 2015 when the truck was received.

**Effect:** Expenses that were reported on the monthly financial report for June 30, 2015, did not occur until August 2015. Expenses are overstated on the financial report.

**Recommendation:** Only expenses incurred during the reporting period should be included in the financial report. Revenue is recognized in relation to expenses incurred.

**Management Response:** Management concurs with the finding and has agreed the expense was not incurred until after the fiscal year-end. Management has adjusted the cash disbursements process so that the reporting period(s) reflect only those expenses allocated to that period, thereby mitigating any findings of this nature in the future.

**SECTION III - MAJOR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

**South Central Kansas Economic Development District, Inc.**  
**Summary Schedule of Prior Year Audit Findings**  
**For the Year Ended June 30, 2014**

No reportable prior year findings.



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|                  |                                  |                          |              |
|------------------|----------------------------------|--------------------------|--------------|
| <b>EL DORADO</b> | 112 EAST CENTRAL AVE.            | EL DORADO, KS 67042-2151 | 316-321-1150 |
| <b>McALESTER</b> | 101 S. 2ND. STE. B               | McALESTER, OK 74501-5345 | 918-426-1234 |
| <b>TUCSON</b>    | 4801 E. BROADWAY BLVD., STE. 501 | TUCSON, AZ 85711-3648    | 520-624-8229 |
| <b>TULSA</b>     | 8023 E. 63RD PL. STE 500         | TULSA, OK 74133-1209     | 918-494-8700 |
| <b>WAGONER</b>   | 611-D W. CHEROKEE ST.            | WAGONER, OK 74467-4618   | 918-485-5531 |
| <b>WICHITA</b>   | 300 W. DOUGLAS AVE., STE. 900    | WICHITA, KS 67202-2914   | 316-264-2335 |