



BERBERICH TRAHAN & CO., P.A.

Certified Public Accountants

KANSAS AGRICULTURAL REMEDICATION BOARD

FINANCIAL STATEMENT
YEAR ENDED DECEMBER 31, 2012

SEN.NATURAL RESOURCES

Date 1-31-13
Attachment # 2-1



BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kansas Agricultural Remediation Board
Topeka, Kansas

Report on the Financial Statement

We have audited the accompanying financial statement of Kansas Agricultural Remediation Board (the Board) which comprises the cash receipts and disbursements for the year ended December 31, 2012, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement 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 the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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 statement is free of material misstatement.

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

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

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Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash transactions of the Board for the year ended December 31, 2012, in accordance with the basis of accounting described in Note 2.

Emphasis-of-Matter

As discussed in Note 1, the financial statement of the Board is intended to present the cash receipts and disbursements of the Board. It does not purport to, and does not present fairly, the financial position of the state of Kansas as of December 31, 2012 in conformity with accounting principles generally accepted in the United States of America.

Report Issued in Accordance with *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 25, 2013 on our consideration of the Board'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Berberick Trehan & Co., P.A.

Topeka, Kansas
January 25, 2013

KANSAS AGRICULTURAL REMEDIATION BOARD
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended December 31, 2012

	Kansas Agricultural Remediation Fund (Index 1090)
Cash receipts:	
Pesticide business dealer fees	\$ 95,837
Pesticide products fees	520,311
Custom fertilizer blender fees	48,680
Grain storage fees	505,189
Fertilizer products fees	116,060
Remediation sold	5,000
Interest	305
	1,291,382
Total cash receipts	
Disbursements:	
Management fee	108,000
Reimbursements	928,726
Other	9,500
	1,046,226
Total disbursements	
Excess of cash receipts over disbursements	245,156
Unexpended cash, January 1, 2012	267,474
Unexpended cash, December 31, 2012	\$ 512,630

See accompanying notes to financial statement.

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KANSAS AGRICULTURAL REMEDIATION BOARD

NOTES TO FINANCIAL STATEMENT

December 31, 2012

1 - Organization

The Kansas Agricultural Remediation Board (the Board) was established by Section 9 of Senate Bill No. 501 to administer the Agricultural Remediation Fund, the Agricultural Remediation Board Fund for administrative expenses and the Remediation Reimbursement Program. The law went into effect in July 2000. The Board was appointed and confirmed in the fall of 2000 and consists of five governor-appointed members each representing a different area of agriculture. In addition, there are two ex-officio members who represent the Kansas Department of Agriculture and the Kansas Department of Health and Environment. The Board has the authority to adopt rules and regulations and establish standards and procedures related to the remediation linked deposit loan program and the remediation reimbursement program for properties where contamination was caused by a release of agricultural or specialty chemicals or both. Receipts represent environmental assessments imposed on users/dealers of certain chemicals. The funds of the Board are fiduciary funds of the State of Kansas.

2 - Summary of Significant Accounting Policies

Basis of Accounting

The Board's policy is to prepare its financial statement on the cash receipts and disbursements basis of accounting; consequently, revenues are recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred.

3 - Management Agreement

The Board has a management agreement with the Kansas Grain and Feed Association (the Association). This agreement may be renewed each June at the Board's discretion. In 2012, the agreement was renewed for the period July 1, 2012 to June 30, 2013. The agreement stipulates that the Board will pay the Association an annual management fee of \$ 108,000 for management services to the Board consisting of general office administration, services needed for implementation of Senate Bill No. 501, preparation of the annual report, and other staff and office resources.

KANSAS AGRICULTURAL REMEDIATION BOARD

NOTES TO FINANCIAL STATEMENT
(Continued)

4 - Pending Applications

At December 31, 2012, there were eight applications in the amount of approximately \$ 223,000 that had been approved by the Board but not paid as of year-end.

5 - Subsequent Events

The Board has evaluated subsequent events through the date of the independent auditor's report, which is the date that the financial statement is available to be issued.

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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
Kansas Agricultural Remediation Board

We have audited the financial statement of the Kansas Agricultural Remediation Board (the Board) as of and for the year ended December 31, 2012, and have issued our report thereon dated January 25, 2013. Our report indicated that the financial statement was prepared on the cash receipts and disbursements basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit 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.

Internal Control Over Financial Reporting

Management of the Board is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

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 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.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Berberich Trakas & Co., P.A.

January 25, 2013

KANSAS AGRICULTURAL REMEDIATION BOARD

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended December 31, 2012

None in the current year.

KANSAS AGRICULTURAL REMEDIATION BOARD

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND RESPONSES

Year Ended December 31, 2012

Finding 2011-1 – Significant Deficiency

Criteria – An important aspect of control in any accounting system is segregation of duties. Segregating certain routine tasks, particularly in the receipts cycle can significantly improve controls. Lack of segregation of duties can lead to increased risks of fraud, errors, or material misstatement of the financial statement.

Condition – Due to the mail processing procedures at the Department of Agriculture, there is a lack of segregation of duties in the area of handling cash receipts.

Cause – One person handles the receipts received in the mail and also records them in to the accounting system.

Effect – There is a risk of fraud and error in the area of cash receipts.

Response (UNAUDITED) – We have relayed the concern that there is no separation of duties by Kansas Department of Agriculture (KDA) employees when receiving and entering the payments into the remediation fund. However, please note that the Remediation Board does not have any authority over assigning duties within the KDA; we can only bring these concerns to their attention.

Follow-up – The Board has implemented procedures and has additional staff available that segregates certain duties in the handling of cash receipts and preparation and delivery of the deposit.