

Fairfax Drainage District
Wyandotte County Kansas

Financial Statements
and Independent Auditor's Report

December 31, 2017



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INDEPENDENT AUDITOR'S REPORT

The Governing Board
Fairfax Drainage District of Wyandotte County, Kansas
Kansas City, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Fairfax Drainage District of Wyandotte County, Kansas as of and for the year ended December 31, 2017, 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 this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the Kansas Municipal Audit and Accounting Guide. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

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

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the District to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United State of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2017, or changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the District as of December 31, 2017, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

Higdon & Hale C.P.A.'s P.C.

Higdon & Hale C.P.A.'s PC
April 24, 2018

Fairfax Drainage District of Wyandotte County, Kansas
 Summary Statement of Cash Receipts, Expenditures and Unencumbered Cash
 Regulatory Basis
 For the Year Ended December 31, 2017

<u>Funds</u>	Beginning Unencumbered Cash Balance	Prior Year Adjustments/ Lapsed Encumbrances	Cash Receipts	Expenditures	Unencumbered Cash Balance	Ending	Outstanding Encumbrances	and Accounts Payable	Cash Balance	Ending
General Fund	\$ 234,629	\$ 13,500	\$ 1,591,753	\$ 1,589,597	\$ 250,286	\$ 1,581,789	\$ 1,581,789	\$ 1,832,075		
Employee Benefit	82,329	-	139,831	172,345	49,815	-	-	49,815		
Total	\$ 316,958	\$ 13,500	\$ 1,731,584	\$ 1,761,942	\$ 300,101	\$ 1,581,789	\$ 1,581,789	\$ 1,881,890		

COMPOSITION OF CASH

Cash	
Enterprise Bank and Trust	\$ 1,881,890
Total	\$ 1,881,890

Fairfax Drainage District of Wyandotte County, Kansas
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 1- Summary of Significant Accounting Policies

Financial Reporting Entity

The District is a quasi-municipal corporation, created by the Board of County Commissioners of Wyandotte County for the purpose of providing flood control and drainage in the area comprising the District. The District encompasses approximately 3.18 square miles and is located entirely within the corporate limits of the City of Kansas City, Kansas. The property users in the District are all industrial and commercial entities. There are no residential properties within the District although some property is individually owned. A three member board is elected by the property owners within the District. The board then elects the officers of the District.

Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than mentioned above.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the statutory basis of accounting.

Regulatory Basis Fund Types. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The following types of funds comprise the financial activities of the City.

General Fund – the operating fund used to account for all resources except those required to be accounted for in another fund.

Fairfax Drainage District of Wyandotte County, Kansas
Notes to the Financial Statements
For the Year Ended December 31, 2017

Employee Benefits Fund- – the operating fund used to account for all resources required to fund employee benefits expenditures.

Note 2 – Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing o the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of the notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously un-budgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures In excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

Fairfax Drainage District of Wyandotte County, Kansas
Notes to the Financial Statements
For the Year Ended December 31, 2017

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Ad Valorem Tax Revenues

The determination of assessed valuations and collection of property taxes for all political subdivisions in the State of Kansas are the responsibility of the various counties. The County Appraiser annually determines assessed valuations on January 1 and the County Clerk spreads the annual assessment on the tax rolls. Property taxes are levied as of November 1 and become a lien on the property as of that date. Payments are due November 1, becoming delinquent, with penalty, December 21. Payments of 50% are accepted through December 20, with the second 50% then being due on or before May 10 of the following year.

The County Treasurer is the tax collection agent for all taxing entities within the County. The initial distribution to the subdivisions, including the District, is on or before January 20 of the ensuing year. Additional amounts are distributed on four (4) subsequent dates throughout the calendar year.

Note 3 – Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the Municipality. The statute requires banks eligible to hold the Municipality's funds have a main or branch bank in the county in which the Municipality is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Municipality has no other policies that would further limit interest rate risk (*or if additional policies, define*).

K.S.A. 12-1675 limits the Municipality's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Municipality has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the Municipality may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The Municipality's allocation of investments as of December 31, 2017 is as follows:

Fairfax Drainage District of Wyandotte County, Kansas
Notes to the Financial Statements
For the Year Ended December 31, 2017

Investments	Percentage of Investments
Enterprise Bank and Community First Bank- DDA	100.00%

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. State statutes require the Government’s deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated “peak periods” when required coverage is 50%. All deposits were legally secured at December 31, 2017.

At December 31, 2017, the Government’s carrying amount of deposits was \$1,881,890. The bank balance of \$2,013,169 was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance; \$1,763,169 was collateralized with securities held by the pledging financial institution’s agents in the Government’s name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

NOTE 4- Retirement Plan

The District adopted a 401K Plan that allows for employee deferrals and employer contributions that covers all employees. The District’s contribution to the 401K Plan totaled \$56,320 for the year ending December 31, 2017.

NOTE 5- Compensated Absences

The District’s policies regarding vacation and sick pay permit employees two weeks of vacation time per year (three weeks after seven years and four weeks in the twentieth year) and sick leave of five working days a year. The cost of vacation is not accrued on the books of the District, as it is not carried to subsequent years if it is not used in the current year. The cost of sick pay is not significant and is not accrued on the books of the District as is consistent with cash basis of accounting.

Fairfax Drainage District of Wyandotte County, Kansas
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 6 – Inter-fund Transfers

There were no inter-fund transfers noted during the year.

NOTE 7 – Commitments and Contingencies

In the normal course of business the District may be faced with certain commitments and contingencies. At December 31, 2017 there were no commitments or contingencies other than those reflected as encumbrances in this financial statement.

NOTE 8 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters and other events for which the District carries commercial insurance.

NOTE 9 – Subsequent Events

The Board and Management have reviewed subsequent events up until April 24, 2018 which was the date the financial statements were completed and available for release. No subsequent event was noted that would impact the financials as of December 31, 2017.

Fairfax Drainage District of Wyandotte County, Kansas
 Summary of Expenditures, Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2017

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year Budget</u>	<u>Variance Positive [Negative]</u>
General Fund	\$ 1,708,600	\$ -	\$ 1,708,600	\$ 1,589,597	\$ 119,003
Employee Benefit	\$ 222,200	\$ -	\$ 222,200	\$ 172,345	\$ 49,855

Fairfax Drainage District of Wyandotte County, Kansas
 General Fund
 Schedule of Cash Receipts and Expenditures-Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2017

	<u>Actual</u>	<u>Budget</u>	Variance Positive (Negative)
Cash Receipts			
Taxes	\$ 1,039,576	\$ 1,169,210	\$ (129,634)
Intergovernmental	515,555	507,072	8,483
Use of money and property	36,622	19,682	16,940
Total Cash Receipts	\$ 1,591,753	\$ 1,695,964	\$ (104,211)
Expenditures and Transfers Subject to Budget			
Personal Services	\$ 229,316	\$ 243,200	\$ 13,884
Contractual	53,376	135,000	81,624
Commodities	84,264	102,000	17,736
Capital outlay	1,616	1,000	(616)
Total Expenditures and Transfers Subject to Budget	\$ 368,573	\$ 481,200	\$ 112,627
Expenditures and Transfers Subject to Budget Public Safety			
Personal Services	\$ 264,694	\$ 340,400	\$ 75,706
Contractual	754,316	529,000	(225,316)
Commodities	180,541	339,400	158,859
Capital outlay	21,473	18,000	(3,473)
Total Public Safety Expenditures Subject to Budget	\$ 1,221,024	\$ 1,226,800	\$ 5,776
General Fund Totals	\$ 1,589,597	\$ 1,708,000	\$ 118,403
Receipts Over [Under] Expenditures	\$ 2,157		
Encumbrances Released	\$ 13,500		
Unencumbered Cash, Beginning	234,629		
Unencumbered Cash, Ending	\$ 250,286		

Fairfax Drainage District of Wyandotte County, Kansas
Employee Benefit Fund
Schedule of Cash Receipts and Expenditures- Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2017

	<u>Actual</u>	<u>Budget</u>	Variance Positive <u>[Negative]</u>
Cash Receipts			
Taxes	\$ 139,831	\$ 158,920	\$ (19,089)
	\$ 139,831	\$ 158,920	\$ (19,089)
Total Cash Receipts			
Expenditures and Transfers Subject to Budget			
Personal Services Administration	\$ 78,544	\$ 71,300	\$ (7,244)
Expenditures and Transfers Subject to Budget Public Safety			
Personal Services	93,801	150,900	57,099
	\$ 172,345	\$ 222,200	\$ 49,855
Total Expenditures and Transfers Subject to Budget Public Safety			
Receipts Over [Under] Expenditures	\$ (32,514)		
Unencumbered Cash, Beginning	82,329		
	\$ 49,815		
Unencumbered Cash, Ending			