

MARAIS DES CYGNES EXTENSION DISTRICT #16
Paola, Kansas

FINANCIAL STATEMENT
WITH
REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

MARAIS DES CYGNES EXTENSION DISTRICT #16

**FINANCIAL STATEMENT
WITH
REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION
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Independent Auditor's Report

To the Board
Marais des Cygnes Extension District #16
Paola, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Marais des Cygnes Extension District #16, as of and for the year ended December 31, 2018 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 this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 2; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. 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 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 basis for our audit opinion.

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

As described in Note 2 of the financial statement, the financial statement is prepared by the Marais des Cygnes Extension District #16 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 States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 2 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 Marais des Cygnes Extension District #16, as of December 31, 2018, or changes in the financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

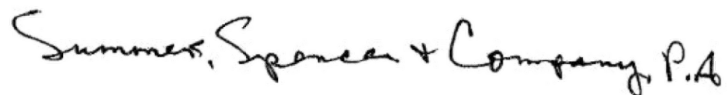
In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Marais des Cygnes Extension District #16, as of December 31, 2018, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 2.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, (Schedules 1 and 2 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. 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 basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, 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 basic financial statement as a whole, on the basis of accounting described in Note 2.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of Marais des Cygnes Extension Kansas as of and for the year ended December 31, 2017 (not presented herein), and have issued our report thereon dated November 13, 2018, which contained an unmodified opinion on the basic financial statement.

The 2017 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://www.admin.ks.gov/offices/chieffinancial-officer/municipal-services>. The 2017 actual column (2017 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget for the year ended December 31, 2018 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2017 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 basic financial statement. The 2017 comparative information was subjected to the auditing procedures applied in the audit of the 2017 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2017 basic financial statement or to the 2017 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2017 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2017, on the basis of accounting described in Note 2.

A handwritten signature in cursive script that reads "Summers, Spencer & Company, P.A.".

Summers, Spencer & Company, P.A.

Topeka, Kansas

November 26, 2019

MARAIS DES CYGNES EXTENSION DISTRICT #16

Statement 1

**Summary Statement of Receipts, Expenditures, and Unencumbered Cash (Regulatory Basis)
For the Year Ended December 31, 2018**

Fund	Beginning	Cash		Ending	Add	Ending
	Unencumbered	Receipts	Expenditures	Unencumbered	Outstanding	Cash Balance
	Cash Balance			Cash Balance	Encumbrances	
					and Accounts	
					Payable	
General Fund	\$ 213,571	\$ 637,874	\$ 554,712	\$ 296,733	\$ -	\$ 296,733
Composition of Cash:						
				Checking Account		\$ 216,551
				Money Market Account		9,252
				Certificates of Deposit		70,930
				Total Cash		<u>\$ 296,733</u>

MARAIS DES CYGNES EXTENSION DISTRICT #16

Notes to the Financial Statement For the Year Ended December 31, 2018

Note 1 – Reporting entity

The Marais des Cygnes Extension District #16 is an outreach of Kansas State Research and Extension Department of Kansas State University, formed under K.S.A. 2-623 *et seq.* The District provides educational services and programs in such areas as agriculture, family and consumer sciences, 4-H clubs, and economic development, to persons in Linn and Miami Counties. The District was formed under an operational agreement on July 1, 2014 by the merging of Linn and Miami County Extension Councils. The District has its own property tax levy and is governed by an elected eight-member executive board.

Note 2 – Summary of significant account policies

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The *Kansas Municipal Audit and Accounting Guide* (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 those mentioned above.

The District 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 District to use the regulatory basis of accounting.

Fund Descriptions. The following types of funds comprise the financial activities of the District for the year ended December 31, 2018:

General Fund - The chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Salaries. Pursuant to the Memorandum of Understanding between Kansas State University College of Agriculture and Applied Science, and Linn and Miami Counties, the University pays for a portion of the extension agent's salaries, payroll taxes, and benefits, and bills the remainder to the District on a monthly basis. The extension agents are considered employees of the University for all payroll reporting purposes.

The District prepares monthly financial statements and submits them to the University for their review. The monthly statements report the total extension agent salaries as an expenditure and includes the portion paid by the University as a receipt. The value of salaries paid by Kansas State University in 2018 was \$75,528.

Note 3 – Budgetary information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business 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 on the budget.
3. Public hearing on or before August 15th, but a least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

MARAIS DES CYGNES EXTENSION DISTRICT #16

Notes to the Financial Statement For the Year Ended December 31, 2018

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted 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 regulatory basis of accounting, in which regulatory receipts 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 District 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.

Note 4 – Deposits and investments

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located 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 District has no other policies that would further limit interest rate risk.

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

Concentration of credit risk. State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District'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%. The District has not designated a "peak period." All deposits were legally secured at December 31, 2018.

At December 31, 2018, the District's carrying amount of deposits was \$296,733 and the bank balance was \$332,519. The bank balance was held by four banks resulting in a concentration of credit risk. Of the bank balance, \$330,182 was covered by federal depository insurance, \$2,337 was collateralized with securities held by the pledging financial institutions' agents in the District'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 District 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 5 – Retirement Plan

A simple 401K retirement plan is offered to any employee that works over 1,040 hours per year. The employee contributes a minimum percentage of their gross salary to the plan. Employees are eligible for retirement benefits at age 65 with any number of years of service.

MARAIS DES CYGNES EXTENSION DISTRICT #16

Notes to the Financial Statement For the Year Ended December 31, 2018

Note 6 – Other Post-Employment Benefits

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employee and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the District under this program.

Note 7 – Compensated Absences

The District provides compensation for absences for full-time and part-times employees. Full-time employees are those who work at least 40 hours per week, and part-time employees average at least 20 hours per week. The District provides annual leave at the following rates:

Years of Service	Full-Time	Part-Time
0-6 years	8 hours/month	4 hours/month
7-13 years	10 hours/month	5 hours/month
> 13 years	12 hours/month	6 hours/month
Maximum Accumulation	160 hours	144 hours

Upon retirement, resignation or termination of employment, full accumulated vacation leave will be paid.

The District also provides sick leave for full-time employees at the rate of 8 hours per month; part-time employees earn 4 hours a month. Upon retirement or voluntary resignation in good standing, the District will pay sick leave at the following rates:

Years of Service	Max Accumulated Leave	then Pay for
0-7 years	720 hours	25% of accumulated leave at current salary level
8-14 years	720 hours	35% of accumulated leave at current salary level
> 15 years	720 hours	50% of accumulated leave at current salary level

Note 8 – Subsequent Events

The District's management has evaluated events and transactions occurring after December 31, 2018 through November 26, 2019. The aforementioned date represents the date the financial statement was available to be issued.

MARAIS DES CYGNES EXTENSION DISTRICT #16

REGULATORY – REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2018

MARAIS DES CYGNES EXTENSION DISTRICT #16

Schedule 1

**Summary of Expenditures – Actual and Budget (Regulatory Basis)
For the Year Ended December 31, 2018**

<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</u>	<u>Variance- Over (Under)</u>
General Fund	\$ 834,892	\$ -	\$ 834,892	\$ 554,712	\$ (280,180)

MARAIS DES CYGNES EXTENSION DISTRICT #16

Schedule 2

General Fund

Schedule of Receipts and Expenditures – Actual and Budget (Regulatory Basis)

For the Year Ended December 31, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

		Current Year		Variance Over (Under)
	Prior Year Actual	Actual	Budget	
Cash receipts				
Taxes and shared revenue				
Ad valorem tax	\$ 448,333	\$ 462,189	\$ 462,267	\$ (78)
Delinquent tax	2,356	5,411	-	5,411
Motor vehicle tax	33,166	45,436	43,539	1,897
Recreation vehicle tax	796	1,063	958	105
Watercraft tax	119	-	469	(469)
Payment in lieu of tax	220	-	105	(105)
Kansas State University	83,014	75,528	84,162	(8,634)
Educational services reimbursements	55,341	27,433	65,000	(37,567)
Interest income	391	479	-	479
Facility fees and other	15,478	20,335	10,000	10,335
Total cash receipts	<u>639,214</u>	<u>637,874</u>	<u>\$ 666,500</u>	<u>\$ (28,626)</u>
Expenditures				
Audit, bond, insurance, and legal fees	11,040	13,174	\$ 10,000	\$ 3,174
Telephone	9,775	10,242	11,000	(758)
Rent and utilities	59,429	63,309	60,000	3,309
Supplies, stationary, and postage	9,904	8,986	10,500	(1,514)
Repairs and maintenance	10,418	12,670	20,000	(7,330)
Educational program support	8,078	9,400	16,000	(6,600)
Travel	8,251	8,586	14,000	(5,414)
Subsistence	4,328	4,193	7,000	(2,807)
Salaries and wages	362,577	345,915	395,000	(49,085)
Employee benefits	48,201	48,390	58,000	(9,610)
Capital outlay	20,000	-	116,320	(116,320)
Educational services reimbursements	55,415	29,847	117,072	(87,225)
Total expenditures	<u>607,416</u>	<u>554,712</u>	<u>\$ 834,892</u>	<u>\$ (280,180)</u>
Receipts over (under) expenditures	31,798	83,162		
Unencumbered cash, beginning	<u>181,773</u>	<u>213,571</u>		
Unencumbered cash, ending	<u>\$ 213,571</u>	<u>\$ 296,733</u>		