

**PAWNEE WATERSHED
JOINT DISTRICT NO. 81
JETMORE, KANSAS**

**FINANCIAL STATEMENT
For the Year Ended December 31, 2017**

**VONFELDT, BAUER & VONFELDT, CHTD.
Certified Public Accountants
Larned, Kansas 67550**

PAWNEE WATERSHED JOINT DISTRICT NO. 81

Financial Statement
Regulatory Basis
For the Year Ended December 31, 2017

TABLE OF CONTENTS

<u>Item</u>	<u>Page Number</u>
FINANCIAL SECTION	
Auditor's Report on Financial Statement	1-2
Summary Statement of Receipts, Expenditures and Unencumbered Cash	3-4
Notes to the Financial Statement	5-9
REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION	
Schedule 1	
Summary of Expenditures - Actual and Budget	10-11
Schedule 2	
Schedule of Receipts and Expenditures - Actual and Budget	
General Fund	12
SUPPLEMENTARY INFORMATION	
Schedule 3	
Graphical Analysis	13-20

VONFELDT, BAUER & VONFELDT, CHTD.

CERTIFIED PUBLIC ACCOUNTANTS

Telephone: (620) 285-2107

MEMBERS OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND

818 Broadway

Fax (620) 285-2110

KANSAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 127

Larned, KS 67550

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Pawnee Watershed Joint District No. 81

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Pawnee Watershed Joint District No. 81, Jetmore, Kansas, a Municipality, as of and for the year ended December 31, 2017 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 1; 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 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 the 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 Pawnee Watershed Joint District No. 81, Jetmore, 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 States 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 Pawnee Watershed Joint District No. 81, Jetmore, Kansas as of December 31, 2017 or changes in financial position and cash flows thereof for the year then ended.

Unmodified 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 Pawnee Watershed Joint District No. 81, Jetmore, Kansas 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.

Other Matters

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 and 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 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. The graphical analysis (Schedule 3 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 nor 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 1.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of Pawnee Watershed Joint District No. 81, Jetmore, Kansas as of and for the year ended December 31, 2016 (not presented herein), and have issued our report thereon dated March 24, 2017, which contained an unmodified opinion on the basic financial statement. The 2016 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the website of the Kansas Department of Administration at the following link <http://www.admin.ks.gov/offices/chief-financial-officer/municipal-services>. The 2016 actual column (2016 comparative information) presented in the individual fund schedule of regulatory basis receipts and expenditures-actual and budget for the year ended December 31, 2016 (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 2016 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 2016 basic financial statement. The 2016 comparative information was subjected to the auditing procedures applied in the audit of the 2016 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 2016 basic financial statement or to the 2016 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 2016 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, 2016, on the basis of accounting described in Note 1.

VonFeldt, Bauer & VonFeldt, Chtd.

VONFELDT, BAUER & VONFELDT, CHTD.
Certified Public Accountants
Larned, Kansas

March 23, 2018

PAWNEE WATERSHED JOINT DISTRICT NO. 81
 Summary Statement of Receipts, Expenditures and Unencumbered Cash
 Regulatory Basis
 For the Year Ended December 31, 2017

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances
General Funds:		
General Fund	\$ 2,697,877.43	\$ 0.00
Total Reporting Entity	\$ 2,697,877.43	\$ 0.00
Composition of Cash:		

The notes to the financial statement are an integral part of this statement.

<u>Receipts</u>	<u>Expenditures</u>	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
\$ 737,195.36	\$ 932,612.51	\$ 2,502,460.28	\$ 138,897.59	\$ 2,641,357.87
<u>\$ 737,195.36</u>	<u>\$ 932,612.51</u>	<u>\$ 2,502,460.28</u>	<u>\$ 138,897.59</u>	<u>\$ 2,641,357.87</u>
		Checking Account		\$ 1,380,947.93
		Savings Account		18,560.52
		Certificates of Deposit		<u>1,241,849.42</u>
		Total Reporting Entity		<u>\$ 2,641,357.87</u>

PAWNEE WATERSHED JOINT DISTRICT NO. 81
NOTES TO FINANCIAL STATEMENT
December 31, 2017

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Pawnee Watershed Joint District No. 81, Jetmore, Kansas (District) is a municipal corporation governed by an elected nine-member board. This financial statement presents the Pawnee Watershed Joint District No. 81 (the municipality). The District has no related municipal entities.

B. REGULATORY BASIS FUND TYPES

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

C. 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 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 municipality to use the regulatory basis of accounting.

D. CASH AND INVESTMENTS

Cash balances from all funds are combined and invested to the extent available. Cash and investments consist of an interest bearing checking account, savings account and certificates of deposit. Earnings from these investments are allocated to designated funds. Cash and investments are stated at cost.

E. AD VALOREM TAX REVENUE

The determination of assessed valuation and the 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 valuation and the County Clerk spreads the annual assessment on the tax rolls. One-half of the property taxes are due December 20 and distributed to the District by January 20. The second half is due May 10 and distributed to the District by June 5. The District Treasurer draws available funds from the County Treasurer at designated times throughout the year.

F. REIMBURSED EXPENSES

The District records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as a receipt to the fund that receives the reimbursement. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements under KMAAG regulatory basis accounting.

G. USE OF ESTIMATES

The preparation of the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the amounts reported in the financial statement and accompanying notes. Actual results may differ from those estimates.

Note 2 - 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 at least ten days after publication of 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 unbudgeted increases in regulatory receipts 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 schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

Adjustment for Qualifying Budget Credits: The District may use this line item for any budgeted fund. The adjustment would be a positive amount. All budget adjustments must be authorized by Kansas statutes. Examples include: expenditure of federal grant monies, reimbursements, gifts and donations and receipts authorized by law to be spent as if they were reimbursed expenses.

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 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.

A legal operating budget is not required for capital project funds and trust funds.

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.

Note 3 - COMPLIANCE WITH KANSAS STATUTES

Management is aware of no statutory violations for the period covered by the audit.

Note 4 - DEPOSITS

K.S.A. 9-1401 established 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, 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 District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investments 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 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%. There were no designated "peak periods" during the year. All deposits were legally secured at December 31, 2017.

At December 31, 2017 the District's carrying amount of deposits was \$2,641,357.87 and the bank balance was \$2,566,029.23. The bank balance was held by four banks resulting in a concentration of credit risk. Of the bank balance, \$1,508,560.52 was covered by federal depository insurance, and \$1,057,468.71 was collateralized with securities held by the pledging financial institution's agents in the District's name.

Note 5 - OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Compensated Absences. The District's policy is to pay employees for unused personal leave and sick leave in the event of termination. Upon retirement, death or separation of employment, the employee shall be compensated by the District for all unused and accumulated sick leave and personal leave. The compensation for unused vacation shall be in the form of cash, at the employee's regular rate of pay at the time of separation. The compensation for unused sick leave shall be in the form of cash at the following rate:

Full Time	Half Time	Compensation
0 - 99 Hours	0 - 49.5 Hours	None
100 - 519 Hours	50 - 259.5 Hours	.33 X Hourly Wage
520 - 1040 Hours	260 - 520.0 Hours	.67 X Hourly Wage

The cost of accumulated sick leave and vacation are not recorded in the financial statement at the time the benefits are earned by the employee. The potential liability as of December 31, 2017 and 2016 is \$9,090.02 and \$4,215.86, respectively, which is a net change of \$4,874.16.

Note 6 - DEFINED BENEFIT PENSION PLAN

Plan description. The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate with a 0% moratorium from the period of January 1, 2017 through September 30, 2017 for the Death and Disability Program) and the statutory contribution rate was 8.46% for the fiscal year ended December 31, 2017. Contributions to the pension plan from the District were \$10,943.31 for the year ended December 31, 2017.

Net Pension Liability. At December 31, 2017 the District's proportionate share of the collective net pension liability reported by KPERS was \$89,442. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. The District's proportion of the net pension liability was based on the ratio of the District's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at www.kpers.org or can be obtained as described above.

Note 7 - CONTINGENCIES

During the ordinary course of its operations the District is a party to potential claims, legal actions and complaints. It is the opinion of the District's management and legal counsel that these matters are not anticipated to have a material effect on the District's financial statement.

Note 8 - RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; thefts of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District obtains coverage from commercial insurance companies in order to effectively manage risk. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years. The District does not participate in a public entity risk pool.

Note 9 - SUBSEQUENT EVENTS

The District has evaluated events subsequent to year end through March 23, 2018, and does not believe any events have occurred which affect the financial statement as presented.

**REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION**

PAWNEE WATERSHED JOINT DISTRICT NO. 81
 Summary of Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2017

Funds	Certified Budget	Adjustment for Qualifying Budget Credits
General Funds:		
General Fund	\$ 3,254,786.00	\$ 0.00

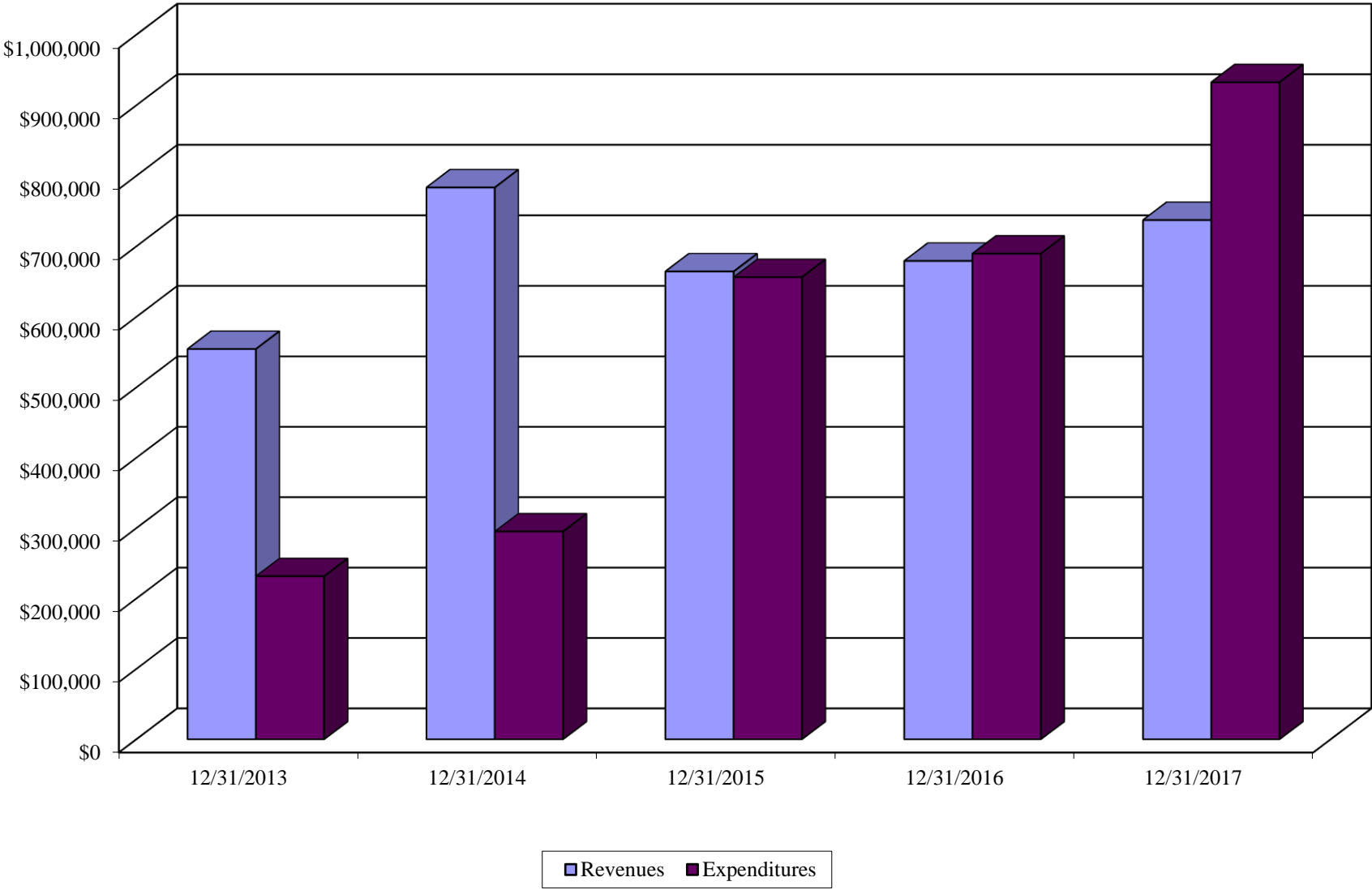
<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
\$ 3,254,786.00	\$ 932,612.51	\$ (2,322,173.49)

PAWNEE WATERSHED JOINT DISTRICT NO. 81
GENERAL FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2017
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

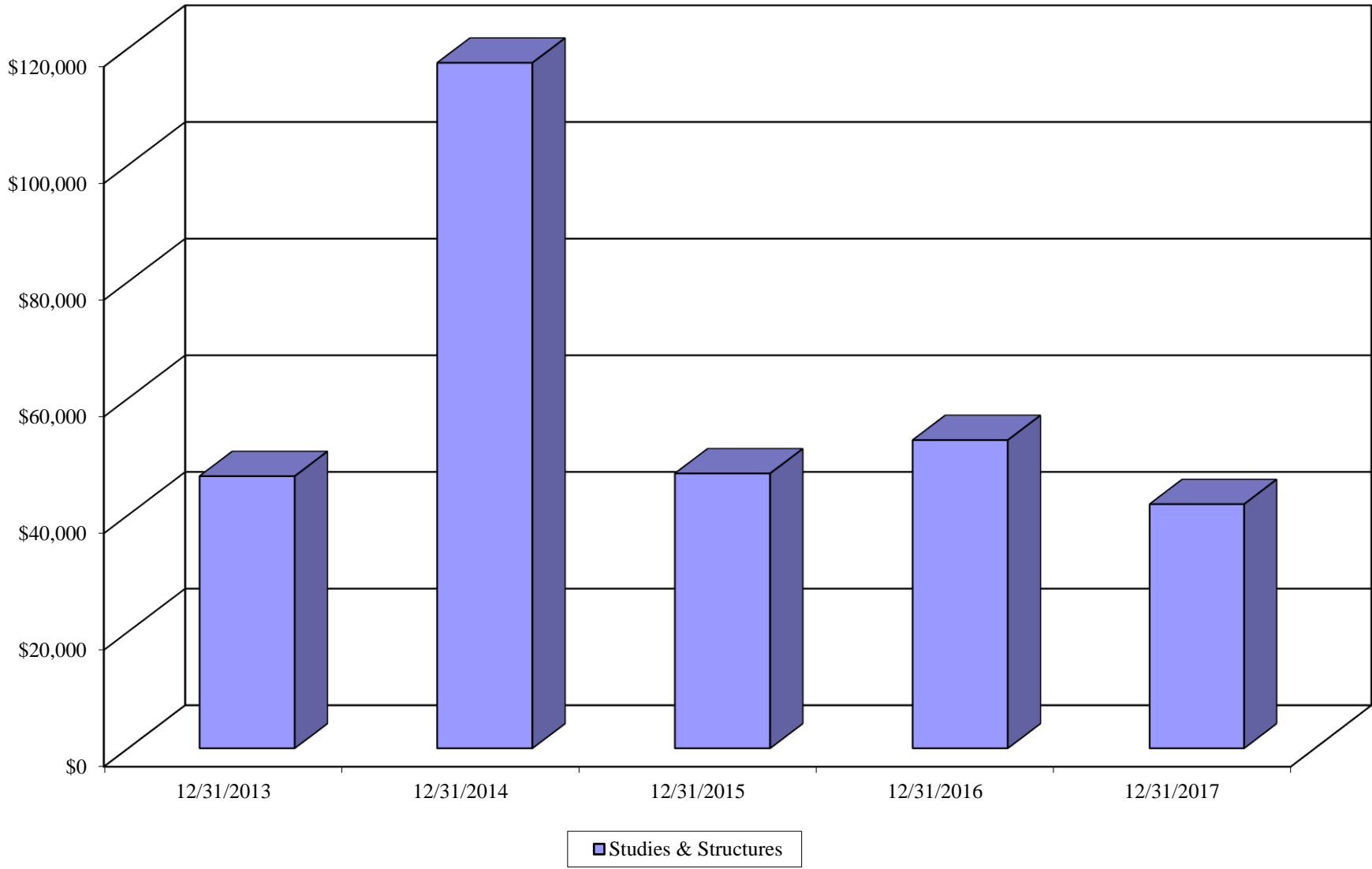
	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Receipts:				
Ad Valorem Property Tax	\$ 522,440.43	\$ 521,389.20	\$ 520,575.00	\$ 814.20
Delinquent Tax	4,453.57	6,024.75	0.00	6,024.75
Motor Vehicle Tax	33,678.29	34,091.05	37,726.00	(3,634.95)
Windfarm Donation	39,138.97	38,330.62	0.00	38,330.62
State of Kansas	67,400.00	122,927.58	120,000.00	2,927.58
Interest on Idle Funds	9,335.63	14,346.76	6,300.00	8,046.76
Reimbursements & Miscellaneous	2,776.63	85.40	80.00	5.40
Total Receipts	<u>679,223.52</u>	<u>737,195.36</u>	<u>\$ 684,681.00</u>	<u>\$ 52,514.36</u>
Expenditures				
Personal Services	106,366.52	155,117.75	130,000.00	25,117.75
Contractual Services	408,416.93	679,229.17	150,000.00	529,229.17
Commodities	60,467.73	27,825.99	80,000.00	(52,174.01)
Capital Outlay	59,925.67	27,279.66	300,000.00	(272,720.34)
Studies & Structures	52,834.37	41,849.50	2,594,786.00	(2,552,936.50)
Miscellaneous	1,571.75	1,310.44	0.00	1,310.44
Total Expenditures	<u>689,582.97</u>	<u>932,612.51</u>	<u>\$ 3,254,786.00</u>	<u>\$ (2,322,173.49)</u>
Receipts Over (Under) Expenditures	(10,359.45)	(195,417.15)		
Unencumbered Cash, Beginning	<u>2,708,236.88</u>	<u>2,697,877.43</u>		
Unencumbered Cash, Ending	<u>\$ 2,697,877.43</u>	<u>\$ 2,502,460.28</u>		

SUPPLEMENTARY INFORMATION

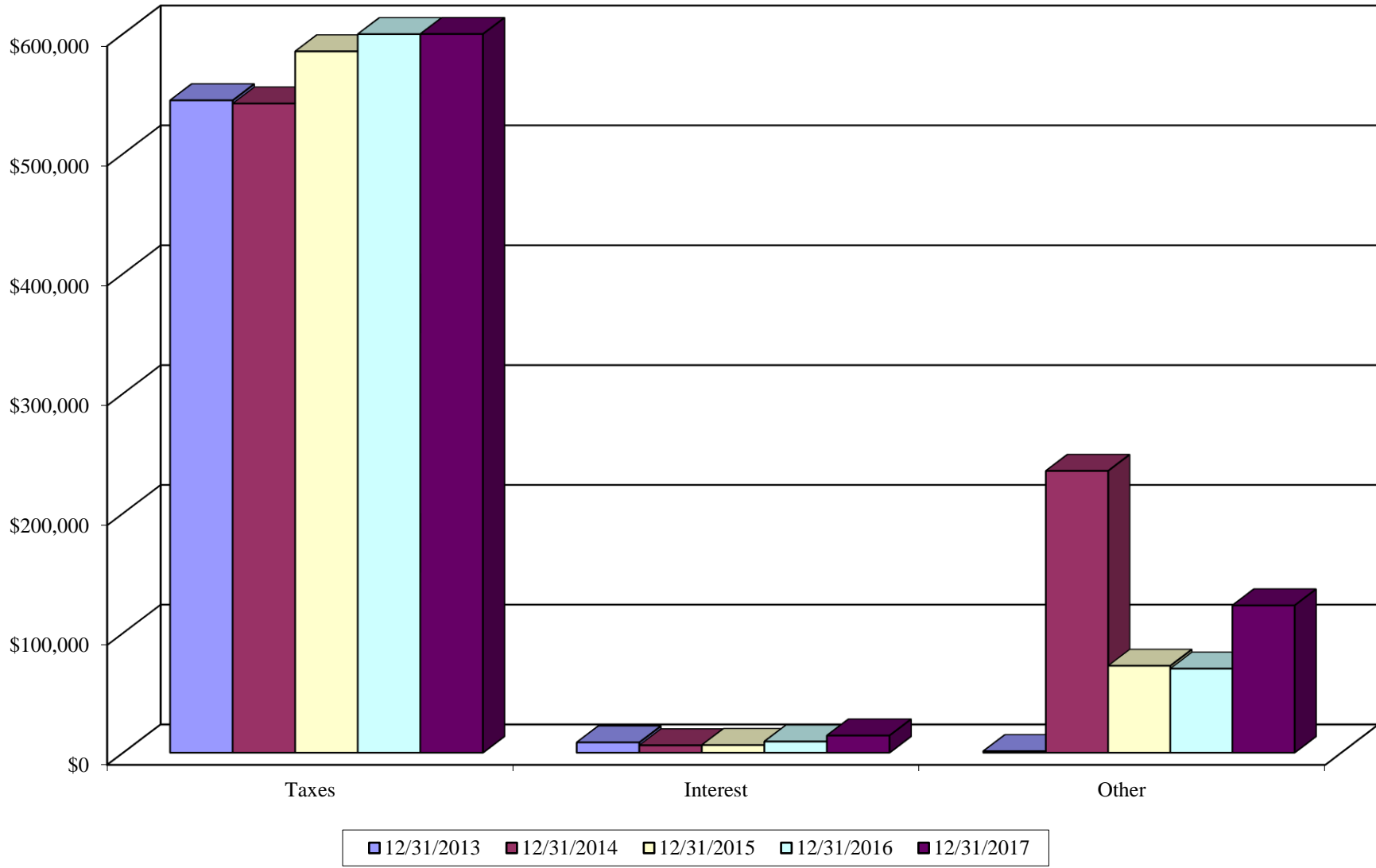
Pawnee Watershed Joint District No. 81 Jetmore, Kansas Revenues & Expenditures



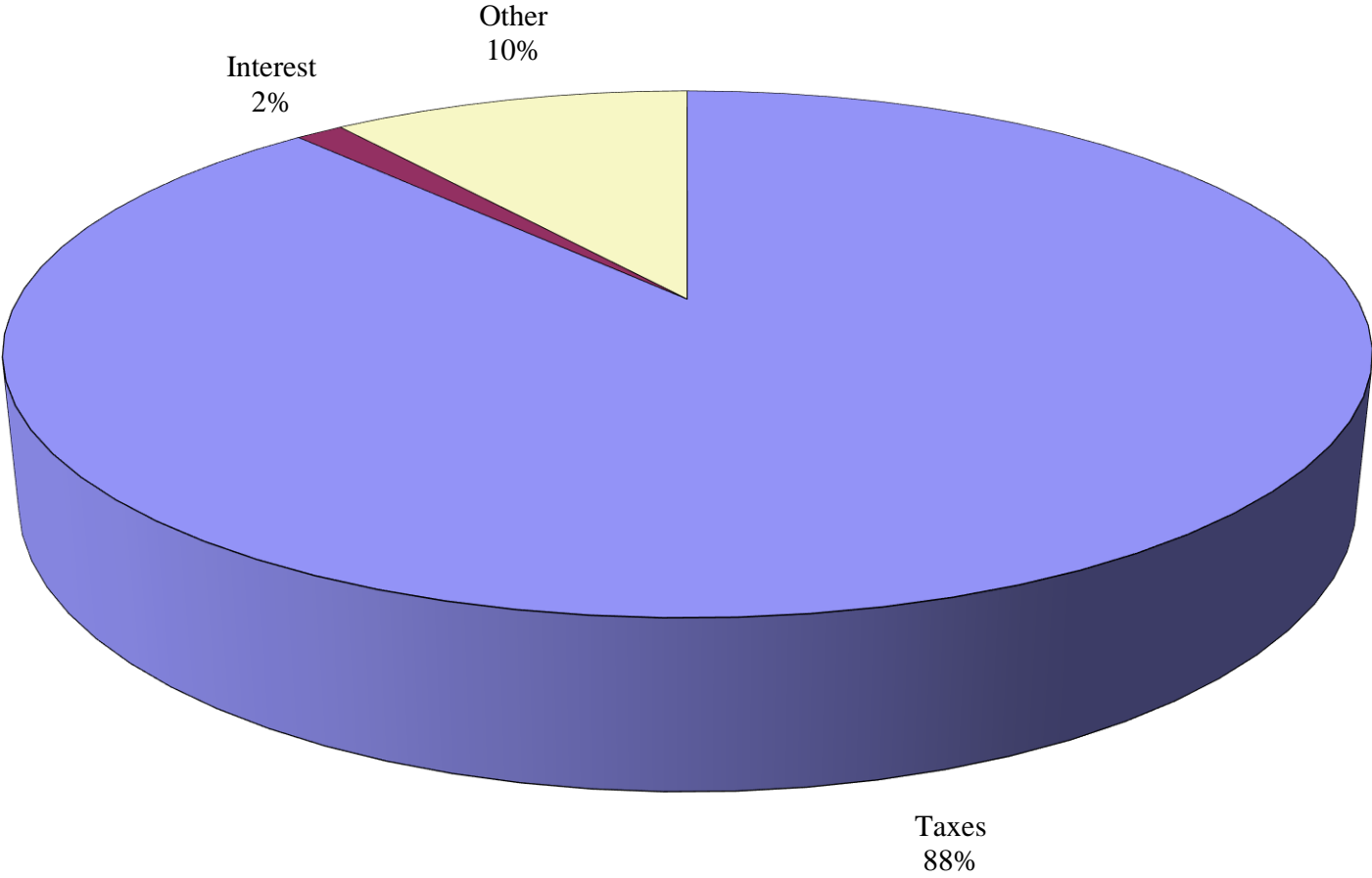
Pawnee Watershed Joint District No. 81 Jetmore, Kansas Studies & Structures



Pawnee Watershed Joint District No. 81 Jetmore, Kansas Revenues

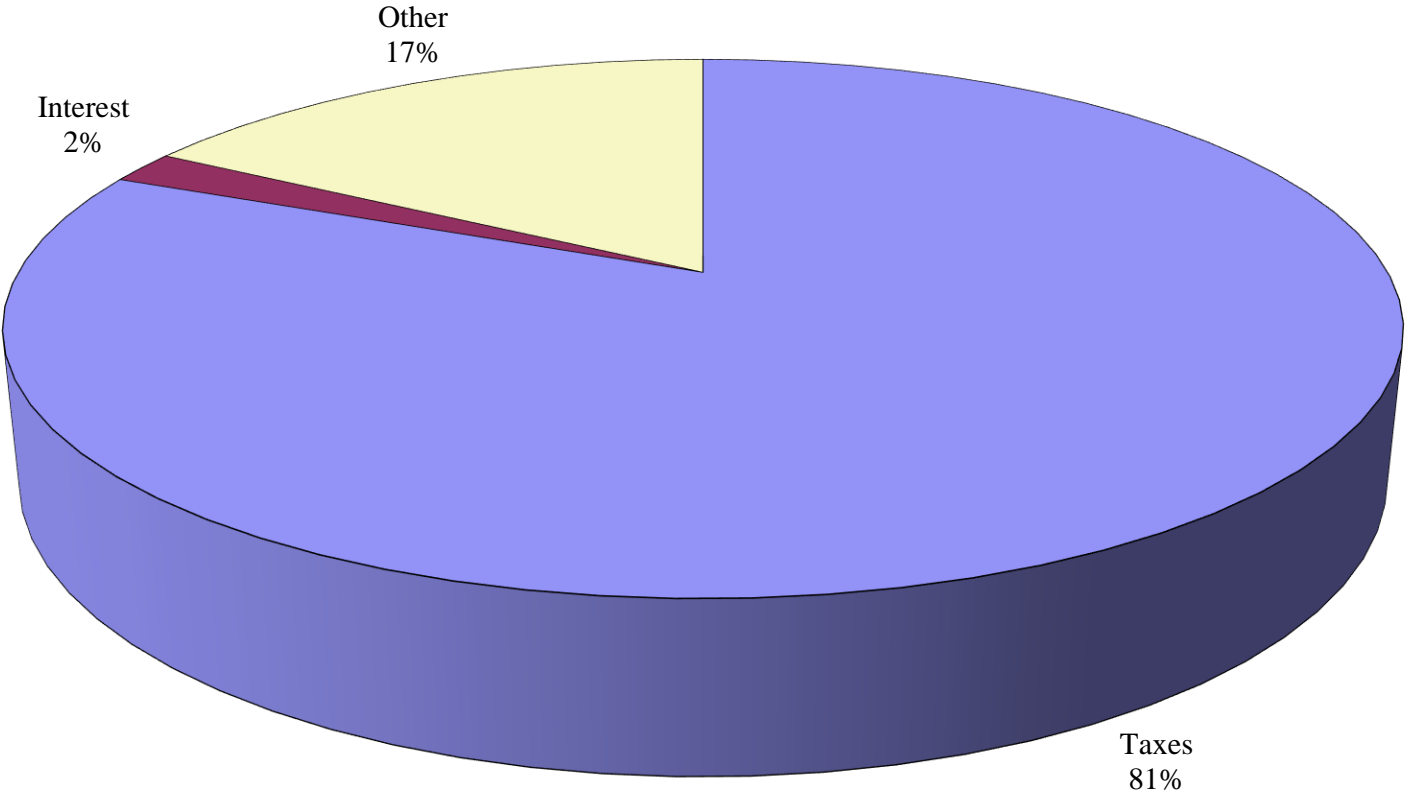


**Pawnee Watershed Joint District No. 81
Jetmore, Kansas
Revenues**



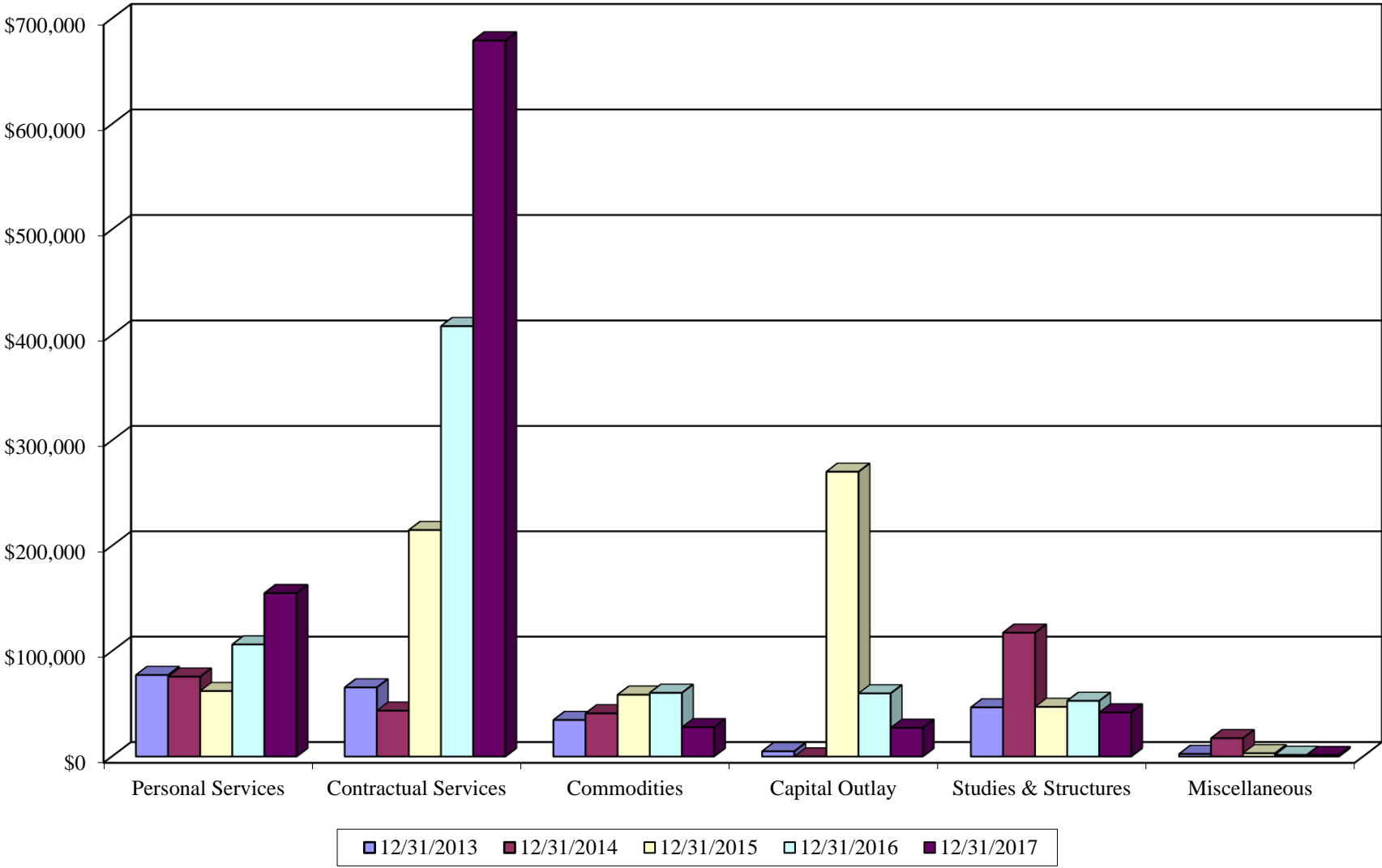
12/31/2016

**Pawnee Watershed Joint District No. 81
Jetmore, Kansas
Revenues**

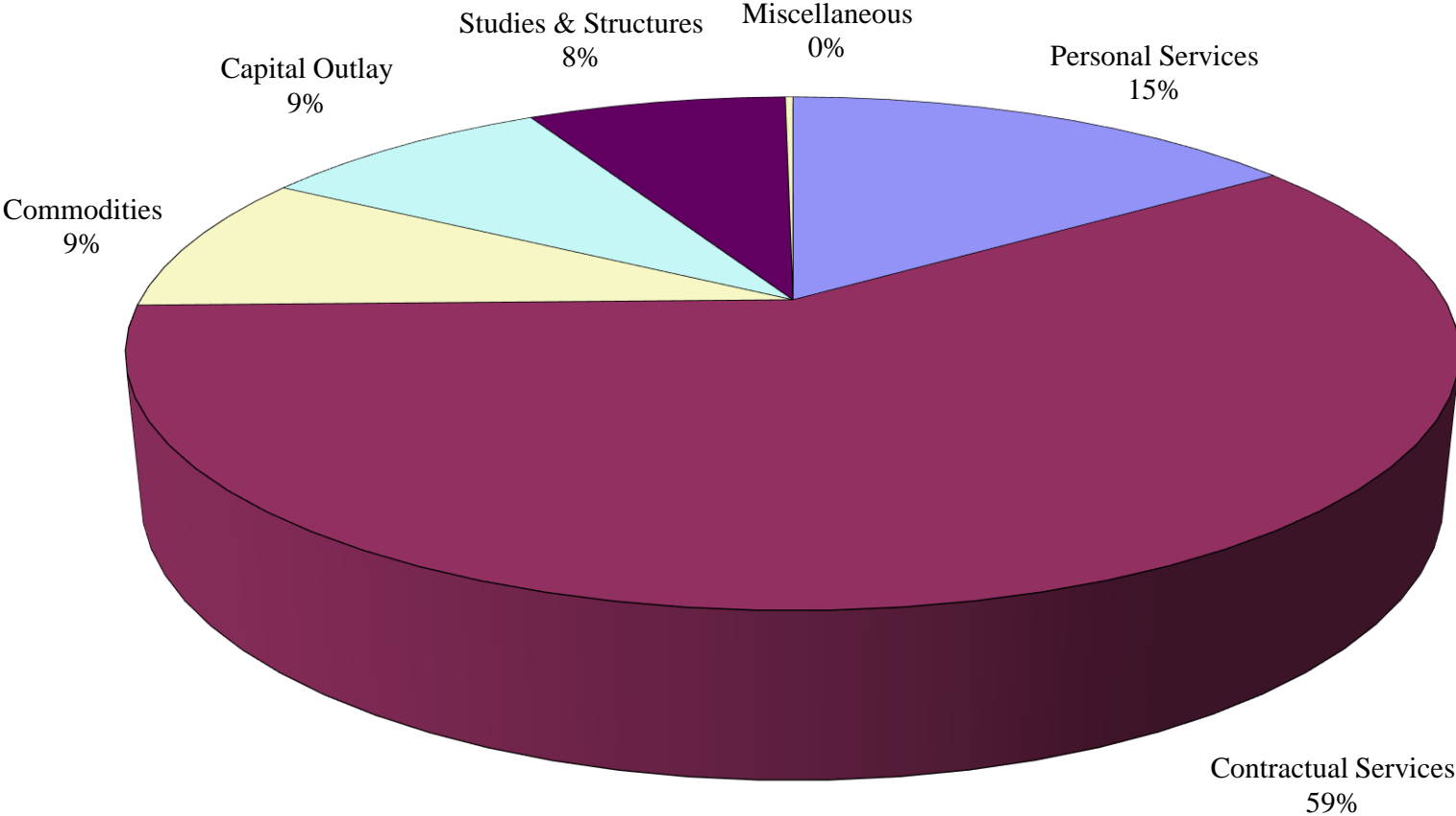


12/31/2017

Pawnee Watershed Joint District No. 81 Jetmore, Kansas Expenditures

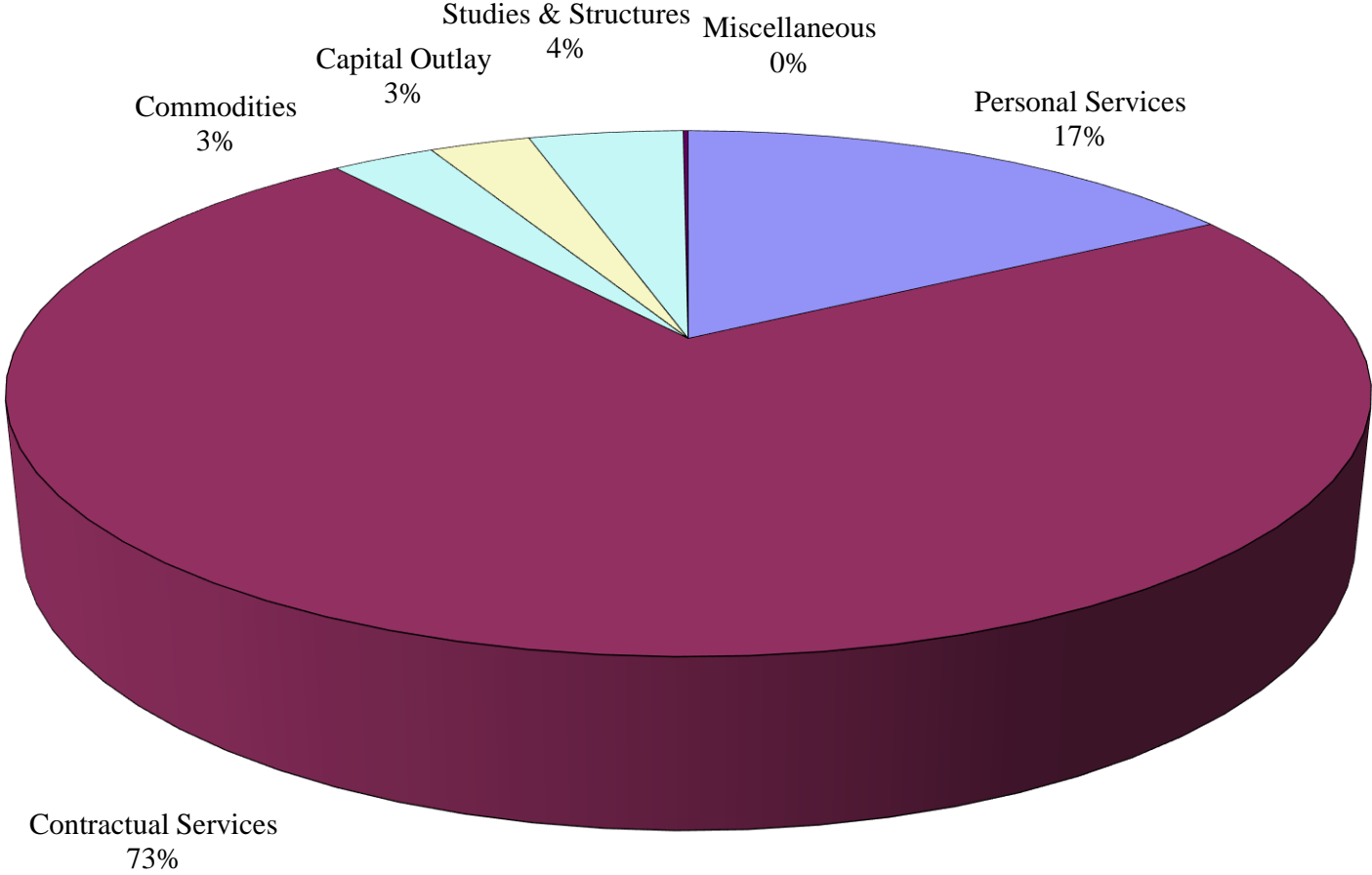


**Pawnee Watershed Joint District No. 81
Jetmore, Kansas
Expenditures**



12/31/2016

**Pawnee Watershed Joint District No. 81
Jetmore, Kansas
Expenditures**



12/31/2017