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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, 2015, 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 my 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, 2013, 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, 2014, 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.

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 (Schedules 1 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. 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 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.

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

Higdon & Hale C.P.A.'s PC
May 31, 2016

Fairfax Drainage District of Wyandotte County, Kansas
Summary of Cash Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2015

Funds	Beginning Unencumbered Cash Balance	Prior Year Adjustments/ Lapsed Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General Fund	$ 462,246	$ 17,107	$ 1,537,302	$ 1,710,432	$ 306,223	$ 1,446,221	$ 1,752,444
Employee Benefit	72,583	-	191,688	159,092	$ 105,179	-	105,179
Total	$ 534,829	$ 17,107	$ 1,728,990	$ 1,869,524	$ 411,402	$ 1,446,221	$ 1,857,623

COMPOSITION OF CASH

Cash	
Enterprise Bank and Trust	$ 1,741,575
Community First Bank	$ 116,048
Total	$ 1,857,623

See Independent Auditor's Report.
The notes to the financial statements are an integral part of this statement.

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 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 revenues 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.

Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts (except as noted), cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented.

Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. Capital assets that account for the land, buildings and equipment owned by the District are not presented in the financial statements. Also, long-term debt such as general obligation bonds, temporary notes and compensated absences are not presented in the

NOTE 1 – Summary of Significant Accounting Policies (Continued)

financial statements. Inventories and prepaid expenses which benefit future periods are recorded as an expenditure during the year of purchase, as required by state statutes.

Governmental Fund Types

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balance of the District's expendable financial resources and the related liabilities are accounted for through governmental fund types. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following are the District's governmental fund types:

General Fund- to account for all unrestricted cash except that is not required to be accounted for in another fund. This is the principal operating fund of Fairfax Drainage District.

Special Revenue Funds- are used to account for revenues derived from specific taxes, governmental grants or other revenue sources which are restricted to finance particular functions or activities of the District.

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. 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. Publications in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.

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 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 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

NOTE 1 – Summary of Significant Accounting Policies (Continued)

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. Encumbrances are commitments by the District for future payments and supported by document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital project fund or trust funds. The District does not have any such funds.

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 2- Deposits

Deposits. 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, 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 the deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

The District's cash is considered to be active funds by management and is invested according to KSA 9-1401.

Investments. K.S.A. 12-1675 limits the District'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.

NOTE 2- Deposits (Continued)

The District has no investment policy that would further limit its investment choices.

The District does not have any formal investment policies that would further limit concentration of credit interest rate, or custodial credit risks beyond state statutes.

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 no designated "peak periods". All deposits were legally secured at December 31, 2015.

At December 31, 2015, the District's carrying amount of deposits was $1,951,421 and the bank balance was $1,857,623. The bank balance was held by two banks with a concentration of credit risk in one bank. Of the bank balance, $116,223 was covered by federal depository insurance in one bank and the balance of $1,835,198, maintained in a separate account, was covered by $250,000 in FDIC coverage and the balance collateralized with securities pledged and held by an outside party. State statutes require investments to be adequately secured.

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 3- 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 $50,080 for the year ending December 31, 2015.

NOTE 4- 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.

NOTE 5 –Inter-fund Transfers

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

NOTE 6 – Commitments and Contingencies

In the normal course of business the District maybe faced with certain commitments and contingencies. At December 31, 2015 there were no commitments or contingencies other than those reflected as encumbrances in these financial statements.

NOTE 7 – 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 8 – SUBSEQUENT EVENTS

The Board and Management have reviewed subsequent events up until May 31, 2016 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, 2015.

Schedule 1

Fairfax Drainage District of Wyandotte County, Kansas
Summary of Expenditures- Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2015

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year Budget	Variance Positive [Negative]
General Fund	$ 1,713,000	$ -	$ 1,713,000	$ 1,710,432	$ 2,568
Employee Benefit	$ 224,000	$ -	$ 224,000	$ 159,092	$ 64,908

See Independent Auditor's Report.
The notes to the financial statements are an integral part of this statement.

Schedule 2-1

Fairfax Drainage District of Wyandotte County, Kansas
General Fund
Statement of Cash Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2015

	Actual	Budget	Variance Positive (Negative)
Cash Reciepts			
Taxes	$ 1,019,411	$ 1,026,460	$ (7,049)
Intergovernmental	491,511	494,517	(3,006)
Use of money and property	26,380	22,874	3,506
Total Cash Receipts	$ 1,537,302	$ 1,543,851	$ (6,549)
Expenditures and Transfers Subject to Budget			
Personal Services	$ 219,662	$ 236,000	$ 16,338
Contractual	142,203	120,000	(22,203)
Commodities	81,183	91,000	9,817
Capital outlay	-	800	800
Total Expenditures and Transfers Subject to Budget	$ 443,048	$ 447,800	$ 4,752
			-
Expenditures and Transfers Subject to Budget **Public Safety**			-
Personal Services	$ 241,333	$ 326,000	$ 84,667
Contractual	713,242	450,000	(263,242)
Commodities	204,888	340,000	135,112
Capital outlay	107,921	149,200	41,279
Total Public Safety Expenditures Subject to Budget	$ 1,267,384	$ 1,265,200	$ (2,184)
General Fund Totals	$ 1,710,432	$ 1,713,000	$ 2,568
Receipts Over [Under] Expenditures	$ (173,130)		
Encumbrances Released	$ 17,107		
Unencumbered Cash, Beginning	462,246		
Unencumbered Cash, Ending	$ 306,223		

See Independent Auditor's Report.
The notes to the financial statements are an integral part of this statement.

Schedule 2-2

Fairfax Drainage District of Wyandotte County, Kansas
Employee Benefit Fund
Statement of Cash Receipts and Expenditures- Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2015

	Actual	Budget	Variance Positive [Negative]
Cash Recipts			
Taxes	$ 191,688	$ 193,364	$ (1,676)
Total Cash Receipts	$ 191,688	$ 193,364	$ (1,676)
Expenditures and Transfers Subject to Budget			
Personal Services Administration	$ 55,016	$ 66,000	$ 10,984
Expenditures and Transfers Subject to Budget **Public Safety**			
Personal Services	104,076	158,000	53,924
Total Expenditures and Transfers Subject to Budget **Public Safety**	$ 159,092	$ 224,000	$ 64,908
Receipts Over [Under] Expenditures	$ 32,596		
Unencumbered Cash, Beginning	72,583		
Unencumbered Cash, Ending	$ 105,179		

See Independent Auditor's Report
The notes to the financial statements are an integral part of this statement.