



City of Leawood

4800 Town Center Drive • Leawood, Kansas 66211 • (913) 339-6700
(913) 339-6781 Fax

October 26, 2022

Allen, Gibbs & Houlik, L.C.
301 N. Main, Suite 1700
Wichita, KS 67212

In connection with your engagement to perform, in accordance with attestation standards established by the American Institute of Certified Public Accountants, specified agreed-upon procedures with respect to certain records and transactions of Johnson County Education Research Triangle Authority (Authority) for the June 30, 2022 for the purpose of assisting the Authority in determining whether the use of monies from the Authority during the year ending June 30, 2022 is in accordance with the budgets approved by the Authority and the Board of Regents, and in accordance with the provisions of K.S.A 19-5001, we confirm, to the best of our knowledge and belief, the following representations made to you during the course of your engagement:

1. We agree to the procedures outlined in the engagement letter with you and acknowledge that the procedures performed are appropriate for the intended purpose of evaluating the Authority's funds.
2. We understand that we have the responsibility for K.S.A 19-5001 through 19-5005, and the selection of the criteria against which your procedures are capable of being evaluated.
3. We understand that we have the responsibility for properly recording transactions and evaluating the criteria of the Authority's funds.
4. We understand that we have the responsibility for determining that such criteria are appropriate for our purposes.
5. There are no known matters contradicting the information provided to you.
6. There are no known matters that could impact your evaluation of the compliance with K.S.A 19-5001 through 19-5005.
7. We have made available to you all records and related data relevant to the subject matter and the agreed-upon procedures.
8. There has been no knowledge of fraud or suspected fraud affecting the entity involving:
 - a. Management,
 - b. Employees who have significant roles in the internal control, or
 - c. Others where fraud could have a material effect on K.S.A 19-5001 through 19-5005.
9. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.

10. We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority received in communications from employees, former employees, analysts, regulators, short sellers, or others.
11. We have responded fully to all inquiries made to us by you during your engagement.
12. We are not aware of any material misstatements in the subject matter.
13. During the course of your engagement you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.
14. No events or transactions have occurred subsequent to the year ended June 30, 2022 that would require adjustment to, or disclosure in the presentation of the recording of transactions.
15. We confirm our understanding that your procedures were limited to those procedures agreed to as detailed in your letter to us dated April 27, 2022.

Johnson County Education Research Triangle



Peggy Bunn,
Chair, Board of Directors



City of Leawood

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(913) 339-6781 Fax

October 26, 2022

Allen, Gibbs & Houlik, L.C.
301 N Main, Suite 1700
Wichita, KS 67202

This representation letter is provided in connection with your audit of the basic financial statements of Johnson County Education Research Triangle Authority (Authority), as of and for the year ended June 30, 2022 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

We confirm, to the best of our knowledge and belief, as of the date of the auditor's report:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated April 18, 2022 for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Types of related party transactions engaged in by the Authority include:
 - a. Those with the primary government having accountability for the Authority.
 - b. Those with component units for which the Authority is accountable.
 - c. Those with other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

- d. Those with joint ventures in which the Authority has an interest.
 - e. Those with jointly governed organizations in which the Authority participates.
 - f. Interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees.
6. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as amended.
 7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
 8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
 9. We have no direct or indirect, legal or moral obligation for any debt of any organization, public or private, or to special assessment bond holders that is not disclosed in the financial statement.
 10. We have complied with all aspects of laws, regulations and provisions of contracts and agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
 11. We have no knowledge of any uncorrected misstatements in the financial statements from current year activity.
 12. With respect to the preparation of financial statements and related notes services performed in the course of the audit:
 - a. We have made all management decisions and performed all management functions;
 - b. We assigned an appropriate individual to oversee the services;
 - c. We evaluated the adequacy and results of the services performed, and made an informed judgment on the results of the services performed;
 - d. We have accepted responsibility for the results of the services; and
 - e. We have accepted responsibility for all significant judgments and decisions that were made.

Information Provided

13. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
14. All transactions have been recorded in the accounting records and are reflected in the financial statements.
15. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
16. It is our responsibility to establish and maintain internal control over financial reporting. One of the components of internal control is risk assessment. We hereby represent that our risk assessment process includes identification and assessment of risks of material misstatement due to fraud. We have shared with you our fraud risk assessment, including a description of the risks, our assessment of the magnitude and likelihood of misstatements arising from those risks, and the controls that we have designed and implemented in response to those risks.
17. We have no knowledge of allegations of fraud or suspected fraud, affecting the entity's financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in the internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
18. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements received in communications from employees, former employees, analysts, regulators, short sellers, or others.
19. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
20. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.

21. We have disclosed to you the identity of the entity's related parties and all the related-party relationships and transactions of which we are aware.
22. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Authority's ability to record, process, summarize, and report financial data.
23. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

Supplementary Information

24. With respect to the management's discussion and analysis presented as required by Accounting Standards Generally Accepted in the United States of America to supplement the basic financial statements:
 - a. We acknowledge our responsibility for the presentation of such required supplementary information.
 - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.

During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

JOHNSON COUNTY EDUCATION RESEARCH TRIANGLE AUTHORITY



Peggy Dunn
Chair, Board of Directors

INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors

Johnson County Education Research Triangle Authority
Olathe, Kansas

We have performed the procedures enumerated below on the Johnson County Education Research Triangle Authority's (Authority) funds to assist the Authority in determining whether the use of monies from the Authority is in accordance with budgets approved by the Authority and the Board of Regents, and in accordance with provisions of K.S.A. 19-5001 through 19-5005 for the year ended June 30, 2022.

The Johnson County Education Research Triangle Authority has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating the Authority's funds. This report may not be suitable for any other purpose. The procedures performed may not address all items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated results are as follows:

Procedure 1: In accordance with K.S.A. 19-5005(c), we tested that no more than 2% of funds collected in any fiscal year were allocated to administrative expenses of the Authority or its Board of Directors. We calculated the ratio of total administrative expenses to total collections for the period ending June 30, 2022.

Results: No exceptions were noted.

Procedure 2: In accordance with K.S.A. 19-5005(a), we tested that funds appropriated by Johnson County to the Authority were remitted by the Authority in equal shares for the University of Kansas Edwards Campus in Overland Park, Kansas State University Innovation Campus in Olathe, and the University of Kansas Medical Center's Johnson County campus (Universities). We confirmed with the Johnson County treasurer all amounts remitted by them to the Authority, and then calculated the amounts transferred out of the Authority's bank account to the Universities.

Results: No exceptions were noted.

Procedure 3: In accordance with K.S.A. 19-5005(b), we performed procedures to determine that expenditures are in compliance with the purposes of the Johnson County Education Research Triangle Authority Act (JCERTA).

- We obtained an understanding from each of the Universities regarding how their allocation of funds has been budgeted or otherwise approved to be spent for the current fiscal year.
- We obtained an understanding from each of the Universities regarding their internal controls for monitoring and approving expenditures incurred from their JCERTA funds.
- We obtained detail transaction listings from each University of their receipts from the Authority, and expenditures incurred during the fiscal year ending June 30, 2022.

- We selected a sample of transactions from the Universities' expenditure transaction listings.

Two samples were selected as follows: The procedures and associated results are as follows:

- 1) Payroll expenditures: We obtained a list from each university of those employees whose salary is being paid in full or in part with funds under JCERTA. We selected at least 10 employees from each University to perform the following procedures:
 - Obtained job position description and read to ensure description appears to support activities that are for allowable purposes under JCERTA.
 - Obtained quarterly certification (or similar documentation) showing how time for each employee is allocated between JCERTA-supported activities vs. other activities of the university.
 - For two judgmentally-selected pay periods during the fiscal year, verified that time/salary expense actually charged to JCERTA activities was in agreement with the allocation noted in the previous step.
- 2) Other non-payroll expenditures: For all other transactions, we used a sample size of 25 for Kansas State University Innovation Campus and the University of Kansas Medical Center and a sample size of 60 for the University of Kansas Edwards Campus and judgmentally selected items from across all the expenditure type categories (for example, supplies, travel, advertising, etc.). For each item in the selected sample, we:
 - Obtained supporting documentation and determined if the expenditure appeared to be for allowable purposes under JCERTA.
 - Tested whether the expenditure was properly supported and approved in accordance with each university's policies.

Results: We noted one employee paid with JCERTA funds at the University of Kansas Edwards Campus received a higher salary than was stated in their salary agreement. The biweekly amount was incorrectly paid at \$5,768.68 instead of the approved amount of \$5,580.29 which resulted in an overpayment of roughly \$3,660 for the year ended June 30, 2022. Additionally, refer to Appendix A for a summary of testing performed on expenditures for the Universities.

We were engaged by the Authority to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Authority's funds. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Board of Directors of the Johnson County Education Research Triangle Authority and is not intended to be and should not be used by anyone other than this specified party.

CERTIFIED PUBLIC ACCOUNTANTS

October __, 2022
Overland Park, Kansas

**Johnson County Education Research Triangle Authority
Transaction Testing: Summary
Year ended June 30, 2022**

The following summarizes items tested as part of Procedure 3 described on the previous pages. This is not a summary of the entire population of expenditures for the period.

	<u>KU Edwards</u>
<u>Bond Expenditures Tested from Bond Accounts</u>	
KU Edwards Campus: Debt service payments	<u>\$ 1,692,370</u>
<u>Expenditures Tested from JCERTA Tax Collections</u>	
Payroll	<u>\$ 35,229</u>
Other:	
Equipment and signage	\$ 23,942
IT	7,847
Programs	107,414
Administrative	172,730
Utilities	31,123
Advertising	510,089
Facilities	10,210
Travel	763
Repairs and maintenance	19,679
Recruiting	3,143
Licenses	2,669
Subscriptions	6,365
	<u>\$ 895,974</u>
Grand Total Tested	\$ 2,623,573
Total Expenditures for the Period	\$ 6,247,605
Percentage Tested	41.99%

**Johnson County Education Research Triangle Authority
Transaction Testing: Summary
Year ended June 30, 2022**

The following summarizes items tested as part of Procedure 3 described on the previous pages. This is not a summary of the entire population of expenditures for the period.

	<u>KUMC</u>
<u>Bond Expenditures Tested from Bond Accounts</u>	
KU Medical Center: Debt service payment	<u>\$ 828,139</u>
<u>Expenditures Tested from JCERTA Tax Collections</u>	
Payroll	<u>\$ 50,547</u>
Other:	
Consultants	\$ 4,833
Capitalization project	25,785
Utilities	175,665
Landscape, custodial and security	118,808
Repairs and maintenance	48,059
Subscriptions	36,720
	<u>\$ 409,870</u>
Grand Total Tested	\$ 1,288,556
Total Expenditures for the Period	\$ 6,825,321
	18.88%

**Johnson County Education Research Triangle Authority
Transaction Testing: Summary
Year ended June 30, 2022**

The following summarizes items tested as part of Procedure 3 described on the previous pages. This is not a summary of the entire population of expenditures for the period.

	<u>K-State</u>
<u>Bond Expenditures Tested from Bond Accounts</u>	
K-State Olathe Innovation Campus: Debt service payments	<u>\$ 1,601,324</u>
<u>Expenditures Tested from JCERTA Tax Collections</u>	
Payroll	<u>\$ 48,247</u>
Other:	
Advertising	\$ 23,625
Consultants	5,285
Programs	38,601
Repairs and maintenance	64,053
Utilities	31,787
Landscape, custodial and security	48,361
	<u>\$ 211,712</u>
Grand Total Tested	\$ 1,861,283
Total Expenditures for the Period	\$ 6,670,917
Percentage Tested	27.90%

**JOHNSON COUNTY
EDUCATION RESEARCH TRIANGLE AUTHORITY**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

AND

INDEPENDENT AUDITOR'S REPORT

JOHNSON COUNTY
EDUCATION RESEARCH TRIANGLE AUTHORITY
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022
AND
INDEPENDENT AUDITOR'S REPORT

JOHNSON COUNTY EDUCATION RESEARCH TRIANGLE AUTHORITY

FINANCIAL STATEMENTS

Year ended June 30, 2022

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Incomplete Work Product

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Johnson County Education Research Triangle Authority
Olathe, Kansas

Opinions

We have audited the financial statements of the governmental activities and major fund of the Johnson County Education Research Triangle Authority (Authority), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Johnson County Education Research Triangle Authority, as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Johnson County Education Research Triangle Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Johnson County Education Research Triangle Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance

and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Johnson County Education Research Triangle Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Johnson County Education Research Triangle Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

CERTIFIED PUBLIC ACCOUNTANTS

October __, 2022
Overland Park, KS

REQUIRED SUPPLEMENTARY INFORMATION

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JOHNSON COUNTY EDUCATION RESEARCH TRIANGLE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

This annual financial report of the Johnson County Education Research Triangle Authority (Authority) consists of two sections: management's discussion and analysis and basic financial statements. This section of the report presents management's discussion and analysis of the financial position and changes in financial position for the year ended June 30, 2022. This analysis should be read in conjunction with the independent auditor's report, audited financial statements, and accompanying notes.

The Johnson County Education Research Triangle Authority was created by affirmative vote of the voters of Johnson County, Kansas on November 4, 2008 at the election held on such date pursuant to the provisions of the Johnson County Education Research Triangle Authority Act. The Board of Directors of the Authority consists of seven voting members who are elected officials of Johnson County and who are appointed as follows: (a) one member appointed by the Governor of Kansas, (b) one member appointed by the Kansas Board of Regents, (c) one member appointed by majority vote of the Board of Commissioners of Johnson County, (d) one member appointed by the Board of Trustees of Johnson County Community College, (e) two members appointed by the Chancellor of the University of Kansas, and (f) one member appointed by the President of Kansas State University. The Chancellor of the University of Kansas or the Chancellor's designee, the President of Kansas State University or the President's designee, the President of Johnson County Community College or the President's designee and the Executive Vice Chancellor of the University of Kansas Medical Authority or the Vice Chancellor's designee serve as ex officio, non-voting members of the Board of Directors.

FINANCIAL HIGHLIGHTS

- The Authority's total net position increased from 2021 by \$78,795 due to increased sales tax revenues. Funds have been invested in cash, which makes up \$166,051 of the total assets. Sales taxes receivable of \$3,997,783 is the other significant amount of the total assets.
- The Authority has initiated the programs called for under its enabling statutes aimed at supporting undergraduate and graduate programs at the Edwards campus of the University of Kansas, the research and education programs in animal health and food safety and security at the Johnson County location of Kansas State University, and the medical education and life sciences and cancer research programs at the University of Kansas Medical Center's Johnson County locations. The Authority has received the financial resources over the past fiscal years to fund the programs.
- Revenues are derived from a one-eighth percent (0.125%) countywide retailers' sales tax levied by the Board of Commissioners of Johnson County, effective from and after April 1, 2009, pursuant to the voter referendum passed on November 4, 2008 and the Johnson County Education Research Triangle Authority Act, and the related countywide compensating use tax imposed by K.S.A. 12-198. Revenues from the transfers were \$23,299,597 for the period.
- The Authority disbursed \$23,205,003 to the three university programs approved by the Board of Directors. The Authority's operating expenses for the period other than university program support were \$50,007.

JOHNSON COUNTY EDUCATION RESEARCH TRIANGLE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

The *governmental fund balance sheet and statement of net position* answers the question, "How is our financial health at the end of the year?" This statement includes all assets and liabilities of the Authority. The General Fund balance sheet uses the modified accrual basis of accounting and current resources measurement focus, and the statement of net position uses the accrual basis of accounting and economic resources measurement focus. For the current period, there are no differences between these two bases of accounting. The resulting net position presented in the statement is displayed as restricted or unrestricted. Assets are restricted when their use is subject to external limits such as legal agreements or statutes. Net positions falling outside this category are characterized as unrestricted. Over time, changes in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

All of the current year's revenues and expenditures of the Authority are accounted for in the *governmental fund revenues, expenditures, and changes fund balance and statement of activities*. This statement measures the activities of the Authority's operations for the year ended June 30, 2022 and presents the excess of revenues over expenditures/expenses and change in fund balance/net position. The General Fund and statement of activities are presented using the two bases of accounting noted in the first paragraph above. It can be used to determine whether the Authority has successfully recovered all of its costs through externally funded programs and other revenue sources. This statement helps answer the question, "Is the Authority as a whole better off or worse off as a result of the year's activities?"

The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements follow the basic financial statements.

CONDENSED FINANCIAL INFORMATION

Statement of Net Position

The following table presents condensed balances at June 30:

	2022	2021
Assets		
Cash	\$ 116,051	\$ 68,134
Sales tax receivable	3,997,783	3,646,661
Total assets	<u>\$ 4,113,834</u>	<u>\$ 3,714,795</u>
Liabilities		
Current liabilities	\$ 3,990,000	\$ 3,636,000
Total liabilities	<u>3,990,000</u>	<u>3,636,000</u>
Net position		
Unrestricted	<u>123,834</u>	<u>78,795</u>
Total net position	<u>123,834</u>	<u>78,795</u>
 Total liabilities and net position	 <u>\$ 4,113,834</u>	 <u>\$ 3,714,795</u>

JOHNSON COUNTY EDUCATION RESEARCH TRIANGLE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Activities

The following table presents condensed balances for the years ended June 30.

Revenues	<u>2022</u>	<u>2021</u>
Sales tax revenue	\$ 23,299,597	\$ 20,164,505
Interest income	522	96
Total revenues	<u>23,300,119</u>	<u>20,164,601</u>
Expenses		
University program support	23,205,003	20,105,877
Authority administration	50,077	42,488
Total expenses	<u>23,255,080</u>	<u>20,148,365</u>
Change in net position	45,039	16,236
Total net position, beginning of period	<u>78,795</u>	<u>62,559</u>
Total net position, end of period	<u>\$ 123,834</u>	<u>\$ 78,795</u>

Assets, Liabilities and Changes in Net Position:

The Authority's net position increased to \$123,834 for the year ended June 30, 2022. The increase in net position resulted primarily from the increase in sales tax revenue received. See the financial highlights on page 3 for additional information.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide stakeholders in the Authority with a general overview of the Authority's finances and to show the Authority's accountability for the resources it receives, invests, and expends. If you have questions about this report, or need additional financial information, please contact Mr. James R. Hubbard. Jimhubbardlaw@gmail.com 4301 Somerset Dr. Prairie Village, KS 66207.

BASIC FINANCIAL STATEMENTS

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JOHNSON COUNTY EDUCATION RESEARCH TRIANGLE AUTHORITY

**GOVERNMENTAL FUND BALANCE SHEET AND
STATEMENT OF NET POSITION**

June 30, 2022

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash and cash equivalents	\$ 116,051	\$ --	\$ 116,051
Sales tax receivable	<u>3,997,783</u>	<u>--</u>	<u>3,997,783</u>
 Total assets	 <u>\$ 4,113,834</u>	 <u>\$ --</u>	 <u>\$ 4,113,834</u>
 LIABILITIES			
Due to universities	\$ 3,990,000	\$ --	\$ 3,990,000
 Total liabilities	 <u>3,990,000</u>	 <u>--</u>	 <u>\$ 3,990,000</u>
 FUND BALANCE/NET POSITION			
Fund balances:			
Unassigned	<u>123,834</u>	<u>(123,834)</u>	<u>--</u>
 Total fund balances	 <u>123,834</u>	 <u>(123,834)</u>	 <u>--</u>
 Total liabilities and fund balances	 <u>\$ 4,113,834</u>	 <u>\$ (123,834)</u>	
 Net position:			
Unrestricted			<u>\$ 123,834</u>
 Total net position			 <u>\$ 123,834</u>

The accompanying footnotes are an integral
part of these financial statements.

JOHNSON COUNTY EDUCATION RESEARCH TRIANGLE AUTHORITY

**GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE AND STATEMENT
OF ACTIVITIES**

Year Ended June 30, 2022

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/expenses:			
University program support	\$ 23,205,003	\$ --	\$ 23,205,003
Authority administration	50,077	--	50,077
Total expenditures/expenses	<u>23,255,080</u>	<u>--</u>	<u>23,255,080</u>
General revenues:			
Sales taxes	23,299,597	--	23,299,597
Interest income	522	--	522
Total general revenues	<u>23,300,119</u>	<u>--</u>	<u>23,300,119</u>
Excess of revenues over expenditures	45,039	--	45,039
Change in net position	<u>45,039</u>	<u>--</u>	<u>45,039</u>
Fund balance/net position:			
Beginning of the year	78,795	--	78,795
End of the year	<u>\$ 123,834</u>	<u>\$ --</u>	<u>\$ 123,834</u>

The accompanying footnotes are an integral part of these financial statements.

JOHNSON COUNTY EDUCATION RESEARCH TRIANGLE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Johnson County Education Research Triangle Authority's (Authority) enabling statutes are found in K.S.A. 19-5001 et seq. as amended and supplemented. The Authority was created on July 1, 2007, with the passage of the Johnson County Education Research Triangle Authority Act. The Authority was created for the purpose of supporting, in equal shares, the undergraduate and graduate programs at the Edwards campus of the University of Kansas, the research and education programs in animal health and food safety and security at the Johnson County location of Kansas State University, and the medical education and life sciences and cancer research programs at the University of Kansas Medical Authority's Johnson County locations.

Accounting principles generally accepted in the United States of America require that the reporting entity include: (1) the primary government, (2) organizations for which the government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that the exclusion would cause the reporting entity's financial statements to be misleading.

K.S.A. 19-5002 provided a funding mechanism through Johnson County to impose a sales tax in an amount not to exceed .2% or levy an annual tax at the rate of not more than two mills on the dollar on all real property within such county, or a combination of both with any such combination not to exceed the lesser of .2% sales tax or the two mills of property tax. A voter referendum in Johnson County, Kansas on November 4, 2008, approved a one-eighth (0.125%) countywide retailer's sales tax, effective from and after April 1, 2009. Revenues that accrue belong exclusively to the Authority and are not part of the state treasury. The Johnson County Commission has not authorized any additional funding mechanism by a public vote of an additional sales tax or property tax levy.

Basis of Accounting

For financial reporting purposes, the Authority presents combined government-wide and fund financial statements. The government-wide column is prepared using the economic resources measurement focus and the accrual basis of accounting. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred. Expenses are specifically associated with a service or program and are therefore identifiable to a particular function. Program revenues include charges for services and contributions restricted to meeting the requirements of a particular program; revenues not classified as program revenues are presented as general revenues.

The general fund column is prepared on a flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as they are both measurable and available to finance the Authority's current operations. "Measurable" means the amount of the transaction that can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are recorded when the related liability is both measurable and incurred.

The reconciliation between the fund and the government-wide columns is included in the adjustment's column.

JOHNSON COUNTY EDUCATION RESEARCH TRIANGLE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition and Receivables

Revenues generated under the Johnson County Education Research Triangle Authority Act from retailers' sales taxes as described under "Reporting Entity" above are considered derived tax revenues. As such, revenue is recognized by the Authority in the time period in which the sales taxes are collected by the retailers. Receivables consist of amounts owed to the Authority from Johnson County. Given the nature of the receivables, no amounts are considered uncollectible by management.

Due to Universities

The Authority is required to distribute in equal shares to the universities the sales tax received under the Johnson County Education Research Triangle Authority Act as described under "Reporting Entity" above. As such, these disbursements to the universities are recognized by the Authority in the same time period in which the sales taxes are recorded by the Authority. Payables consist of amounts owed to the universities from the Authority.

Equity Classifications

In the government-wide column, equity is shown as net position and classified as unrestricted. Unrestricted net position consists of residual amounts retained by the Authority for operations.

In the general fund column, equity is shown as fund balance and classified as unassigned. Unassigned fund balance consists of residual net resources.

NOTE 2 - CASH

As of June 30, 2022, the Authority had a balance of \$116,051 included in cash.

Deposit and Investment Policies. The Authority does not have formal deposit and investment policies. The Authority annually approves its depository as well as minimizes the time elapsed between the collection and subsequent disbursement of funds to the universities.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its deposits or investments that are in the possession of an outside party. At June 30, 2022, the Authority's deposits were fully covered by Federal Depository Insurance or collateralized by securities held by the Authority's agent in the Authority's name.

Members of the Authority

Johnson County Education Research Triangle Authority

We are pleased to present this report related to our audit of the financial statements of the Johnson County Educational Research Triangle Authority (Authority) as of and for the year ended June 30, 2022. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Authority's financial reporting process.

This report is intended solely for the information and use of the Johnson County Educational Research Triangle Authority and is not intended to be, and should not be, used by anyone other than this specified party.

Consistent with the requirement to promote effective communication between the auditor and those charged with governance, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

This letter includes other comments and suggestions with respect to matters that came to our attention in connection with our audit of the Authority's financial statements. These items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the Authority's practices and procedures.

The following summarizes various matters that must be communicated to you under auditing standards generally accepted in the United States of America.

Our Responsibilities With Regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated April 18, 2022. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated June 29, 2022 regarding the planned scope and timing of our audit and have discussed with you our identification of significant risks of material misstatement. We made no significant changes to the scope or timing of our procedures.

Significant Accounting Practices, Including Policies, Estimates and Disclosures

Our views about the qualitative aspects of the Authority's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures are indicated herein, which you may wish to monitor for your oversight responsibilities of the financial reporting process:

Accounting Policies and Practices

Preferability of Accounting Policies and Practices - Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies - Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Authority, and management may select among alternative accounting practices in certain circumstances. The Authority did not adopt any significant

new accounting policies, nor have there been any changes in existing significant accounting policies during the current year.

Significant Accounting Policies - We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant or Unusual Transactions - We did not identify any significant or unusual transactions.

Management's Judgments and Accounting Estimates - Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates.

Audit Adjustments

There were no audit adjustments made to the original trial balance presented to us to bring our audit.

Uncorrected Misstatements

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Management Representations

In connection with our audit procedures, we have obtained a written management representation letter. This representation letter constitutes written acknowledgments by management that it has the primary responsibility for the fair presentation of the financial statements in conformity with generally accepted accounting principles and also includes the more significant and specific oral representations made by officers and employees during the course of the audit. The letter is intended to reduce the possibility of misunderstandings between us and the Authority and reminds the signing officers to consider seriously whether all material liabilities, commitments and contingencies or other important financial information have been brought to our attention.

Observations about the Audit Process

We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit year; we encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements; we are not aware of any consultations management had with other accountants about accounting or auditing matters; no significant issues arising from the audit were discussed or the subject of correspondence with management; we did not encounter any difficulties in dealing with management relating to the performance of the audit; and we did not encounter any significant difficult or contentious matters that required consultation outside the engagement team.

Other Matters

This letter includes other comments and suggestions with respect to matters that came to our attention in connection with our audit of the Authority's financial statements. These items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the Authority's practices and procedures.

Cybersecurity Risk

Effective cybersecurity risk management has never been more important than in today's environment. Boards of directors, owners and executive management (the governance team) face an enormous challenge: to oversee how the organization manages cybersecurity risk.

An effective cybersecurity risk management program provides reasonable, but not absolute, assurance that material breaches are prevented or detected, and mitigated in a timely manner. The combined effects of an organization's dependency on IT, the complexity of IT networks and business applications, extensive reliance on third parties and human nature (i.e., susceptibility to social engineering) are only likely to increase the need for effective cybersecurity risk management programs. Elements of an effective cyber risk management program should include:

- A comprehensive and documented risk assessment. Such assessment should not fall solely on the IT team. It is a governance and management challenge that should involve executive management and others charged with governance.
- Control assessments should include, at a minimum, an information technology systems general controls review, social engineering testing and, potentially, internal and/or external penetration testing.
- A vulnerability assessment will identify potential network vulnerabilities that can leave a company open to significant risk. Using automated scanners, this will help the organization identify and resolve vulnerabilities before they are exploited by cybercriminals.

Comprehensive Policy and Procedure Review



Given the broad and deep scope of your operations, you should consider completing a comprehensive evaluation of the adequacy and effectiveness of the entity's internal financial policies, processes and procedures, including a comparison to best practices among organizations the same size.

For entities that have experienced budget cuts in the finance area or those that have experienced turnover, a periodic review of controls is imperative. Even if your finance team has been stable over the years, we remind you that even the best design of controls is only as good as the people who carry out and execute such controls.

Financial policies, procedures and processes are a key element of sound fiscal administration. When policies are effective, they can preserve or enhance the fiscal health and wealth of the organization and create efficiencies for staff members.

This comprehensive evaluation could include:

1. Evaluation of existing controls
2. Identification of financial policies that could lead to vulnerability to fraud and/or abuse
3. For those identified weaknesses and risks, recommendations for improvements

AGHUniversity Resources

As part of AGH's ongoing commitment to serve as a trusted advisor, we offer these resources as a key part of the additional value AGH provides beyond the engagement itself:

- AGHUniversity.com - a full schedule of complimentary CPE or current and relevant topics and other updates to clients throughout the year. Free registration and webinars are available for the Company's staff and board members at aghuniversity.com. A sample of recent topics include Management and Key Position Succession Planning; Destroying the Myths about Employee Engagement; Preventing Fraud in Small and Medium Sized Organizations; Measuring What Matters in Your 401K Plan to Recruitment, Retention and Reward; Planning The Transition: Taking Your Company To Market; and The How and Why of Business Valuations.
- AGH alerts and newsletters - this includes periodic mailings or emails to alert clients to new accounting standards or regulatory changes.
- Also available from the home page of www.aghlc.com are COVID-19 resources for employers and taxpayers. You can access tax and HR-related alerts, webinars and other third-party resources to help you navigate through the COVID-19 pandemic.

Closing

We will be pleased to respond to any questions you have about this report or set up an introductory meeting to discuss the other recommendations at no charge. We appreciate the opportunity to continue to be of service to Johnson County Education Research Triangle Authority.

CERTIFIED PUBLIC ACCOUNTANTS

October __, 2022
Overland Park, KS

DRAFT
Incomplete Work Product