# Shawnee Heights Fire District

**Financial Statement**
**For the Year Ended December 31, 2021**
**And**
**Independent Auditor's Report**

# Shawnee Heights Fire District

## Financial Statement
## For the Year Ended December 31, 2021

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**INDEPENDENT AUDITOR'S REPORT**
January 27, 2022

To the Shawnee Heights Fire District Board

Shawnee Heights Fire District , Kansas

***Unmodified and Adverse Opinions***

**I have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Shawnee Heights Fire District (District) as of and for the year ended December 31, 2021 and the related notes to the financial statement.**

***Unmodified Opinion on Regulatory Basis of Accounting***

**In my opinion, the accompanying 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, 2021, 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 C.**

*Adverse Opinion on U.S. Generally Accepted Accounting Principles*

In my opinion, because of the significance of the matter discussed in the Basis for Unmodified and Adverse Opinions section of this report, the accompanying 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, 2021, or changes in financial position and cash flows thereof for the year then ended.

***Basis for Unmodified and Adverse Opinions***

I conducted my audit in accordance with auditing standards accepted in the United States of America, (GAAP) and the Kansas Municipal Audit and Accounting Guide. My responsibilities under these standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of this report. I am required to be independent of the District and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my unmodified and adverse audit opinions.

*Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles*

As discussed in Note C of the financial statement, the financial statement is prepared by the District 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 C and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Responsibilities of Management 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 C; 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. In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District'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 Statement***

My objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my 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 statement.

In performing an audit in accordance with GAAS,

I:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, 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 statement.
- 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 District'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 statement.
- conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

***Supplementary Information***

My audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and expenditures-agency funds (Schedules 1, 2 and 3 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the accompanying supplementary 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 C.

John R Welch, C.P.A.
Topeka, Kansas

# Summary Statement of Regulatory Basis Receipts, Expenditures, and Unencumbered Cash For the Year Ended December 31, 2021

| | Fund | | |
|---|---|---|---|
| | General | Special District Reserve | Total District |
| Beginning Unencumbered Cash Balance | $ 158,458.39 | $ 1,870,056.86 | $ 2,028,515.25 |
| Prior Year Cancelled Encumbrances | - | - | - |
| Cash Receipts | 2,436,835.54 | 200,000.00 | 2,636,835.54 |
| Expenditures | (2,406,549.19) | - | (2,406,549.19) |
| Ending Unencumbered Cash Balance | 188,744.74 | 2,070,056.86 | 2,258,801.60 |
| Add Encumbrances and Accounts Payable | 366,803.36 | - | 366,803.36 |
| Ending Cash Balance | $ 555,548.10 | $ 2,070,056.86 | $ 2,625,604.96 |
| **Composition of Cash** | | | |
| Checking Capital City Bank | | | $ 2,625,604.96 |

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

# Shawnee Heights Fire District

## Notes to Financial Statement
## December 31, 2021

### NOTE A. MUNICIPAL REPORTING ENTITY

The Shawnee Heights Fire District (District) was organized in 1939 under K.S.A 80-1541 to provide fire suppression services to unincorporated areas in Shawnee County, Kansas. The District includes Topeka Township, Tecumseh Township, and Monmouth Township. The District has four fire stations, of which, three are manned by full-time duty officers.

The Township boards of Topeka Township, Tecumseh Township, and Monmouth Township form the governing board of the Shawnee Heights Fire District (a jointly governed organization). The District has authority to levy taxes, purchase real estate and issue bonds in its own name.

This financial statement presents the Shawnee Heights Fire District only. Related entities are not included in this financial statement.

### NOTE B. REGULATORY BASIS FUND TYPES

The accounts of the District are organized and operated on the basis of funds. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The District potentially could have the following types of funds.

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

**Special Purpose Fund -** used to account for the proceeds of specific tax levies and other specific revenues sources (other than Capital Project and tax levies for long-term debt) that are intended for specific purposes.

**Bond and Interest Fund -** used to account for the accumulation of resources, including tax levies, transfers from other funds and used to make payments of general long-term debt.

**Capital Project Fund -** used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

**Business Fund -** funds financed in whole or part by fees charged to users of goods or services (i.e. enterprise and internal service funds etc.).

### NOTE 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.

**When regulatory basis financial statements are released for general use, generally accepted auditing standard AU-C-800.21, requires the auditor to express an opinion about whether the financial statement has been prepared in accordance with the special purpose framework. The auditor is also required in a separate paragraph to express an opinion about whether the regulatory, special purpose financial statement is presented fairly, in all material respects, in accordance with GAAP.**

The Shawnee Heights Fire District has approved a resolution that it is in compliance with K.S.A. 75-1120a (c) waiving the requirement for application of generally accepted accounting principles and allowing District to use the regulatory basis of accounting. .

## NOTE D. BUDGETARY INFORMATION

Kansas statutes require than an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by stature), bond and interest funds, and business funds. Although directory rather than mandatory, the statues 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 10 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 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 - Municipalities 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, 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 revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for the following funds:

Special District Reserve

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

**NOTE E. CASH AND INVESTMENTS**

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

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of 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. The District has no investments other than certificates of deposit.

*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.

*Custodial Credit Risk - investments:* For an investment, this is the risk that, in the event of 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 be adequately secured. The District had no such investments at year end.

At December 31, 2021, the District’s carrying amount of deposits was $2,625,604.96 and the bank balance was $2,685,806.84. The difference between the carrying amount and the bank balance is outstanding checks and deposits. Of the bank balance, $250,000.00 was covered by federal depository insurance, $2,435,806.84 was collateralized with securities held by Capital City Banks’ agents in the District’s name.

## NOTE F. INTERFUND TRANSFERS

Kansas Statute 80-1559 allows the District board to approved transfer from the General to the Special District Reserve at the end of 2021. For 2021 the board passed a resolution to transfer $200,000.00.

## NOTE G. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

***Other Post Employment Benefits:*** As provided by K.S.A. 12-5040, the District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the District is subsidizing the retiree's health insurance plan because each participant is charged an equal premium regardless of age. However, the cost of this subsidy has not been qualified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

***Compensated Absences:*** Full time employees may accrue vacation at varying intervals, according to length of service, up to a maximum of 432 hours. Vacation is paid upon resignation, retirement or when taken and recognized as an expense at that time

Sick leave accrues at the rate of 3 hours per week for full-time employees, up to a maximum of 1440 hours. A percentage of the accrued sick leave may be paid to employees in good standing upon resignation or retirement, according to their years of service. The District's policy is to record sick leave expense when paid.

## NOTE H. DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

***Plan Description -*** The Shawnee Heights Fire District participates in the Kansas Public Employees Retirement System (KPERS) which is 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 requires 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 S Kansas, Suite 100, Topeka, Kansas 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. K.S.A. 74-4975 establishes KP&F member-employee contribution rate at 7.157% of covered salary. 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 and 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 for the Death and Disability Program) and the statutory contribution rate was 8.87% for KPERS and 22.8% for KP&F the fiscal year ended December 31, 2021. Contributions to the pension plan from district were $3,706.10 for KPERS and $150,494.74 for KP&F for the year ended December 31, 2021.

Net Pension Liability

At December 31, 2020, the Shawnee Heights Fire District's proportionate share of the collective net pension liability reported to KPERS was $26,646.00 and $1,522,899.00 for KP&F. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019, which was rolled forward to June 30, 2020. The Shawnee Heights Fire District's proportion of the net pension liability was based on the ratio of the Shawnee Heights Fire District's contributions to the KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis accounting does not recognize long-term debt, this liability is not reported in these financial statements. As of the issuance of this statement the December 31, 2021 net pension liability was not yet available from KPERS.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on 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 I. 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; and natural disasters for which the District carries commercial insurance. Settlement of claims has not exceeded commercial insurance coverage in any of the last three fiscal years.

## NOTE J. COMPLIANCE, STEWARDSHIP AND ACCOUNTABILITY

The District is not aware of any other statute violations for the year ended December 31, 2021.

## NOTE L. SUBSEQUENT EVENTS

In preparing this financial statement, the District has evaluated events and transactions for potential recognition or disclosure through January 27, 2022 the date the financial statement was available for issue.

# REGULATORY - REQUIRED

# SUPPLEMENTARY INFORMATION

## Shawnee Heights Fire District

**Schedule 1**

# Summary of Regulatory Basis Expenditures - Actual and Budget
# For the Year Ended December 31, 2021

| | Fund | | |
|---|---|---|---|
| | General | Special District Reserve | Total Funds |
| Beginning Certified Budget | $ 2,629,410.00 | Budget not required by Statute. | |
| Adjustments for Qualifying Budget Credits | - | | |
| Total Budget Spending Authority | 2,629,410.00 | | |
| Expenditures Chargeable to Current Year | 2,406,549.19 | $ - | $ 2,406,549.19 |
| Variance Favorable (Unfavorable) | $ 222,860.81 | | |

See the independant auditor's report on required supplementary information

# Shawnee Heights Fire District
# General
# Schedule of Receipts and Expenditures - Actual and Budget
# Regulatory Basis
# For the Year Ended December 31, 2021

Schedule 2 -1

| | Actual | Budget | Variance Over (Under) |
|---|---|---|---|
| **Receipts** | | | |
| Ad Valorem Tax | $ 1,707,341.17 | $ 1,722,949.00 | $ (15,607.83) |
| Delinquent Tax | 12,300.49 | - | 12,300.49 |
| Motor Vehicle Tax | 247,879.33 | 236,368.00 | 11,511.33 |
| Recreational Vehicle Tax | 5,467.38 | 4,294.00 | 1,173.38 |
| 16/20 M Vehicle Tax | 1,410.37 | 1,660.00 | (249.63) |
| Commercial Vehicle Tax | 7,623.81 | 7,700.00 | (76.19) |
| Watercraft | - | 2,121.00 | (2,121.00) |
| Williamsport Township | 388,944.12 | 379,124.00 | 9,820.12 |
| Equipment Sale | 10,405.00 | - | 10,405.00 |
| Fuel Reimbursement | 35,942.01 | 40,000.00 | (4,057.99) |
| Other Reimbursemet | 1,315.51 | - | 1,315.51 |
| Grants | 6,167.82 | - | 6,167.82 |
| Miscellaneous | 1,833.92 | - | 1,833.92 |
| Interest | 10,204.61 | 10,000.00 | 204.61 |
| **Receipts Total** | 2,436,835.54 | 2,404,216.00 | 32,619.54 |
| **Expenditures** | | | |
| Compensation | 905,611.52 | 1,190,000.00 | (284,388.48) |
| Emplovee Benefits | 368,025.96 | 450,000.00 | (81,974.04) |
| Employee Relations | 2,316.94 | 3,500.00 | (1,183.06) |
| Employee Services | 10,038.97 | 11,000.00 | (961.03) |
| Professional Services | 27,362.00 | 30,000.00 | (2,638.00) |
| Fire Prevention | 2,840.79 | 5,000.00 | (2,159.21) |
| Fuel | 58,085.42 | 50,000.00 | 8,085.42 |
| Improvements | 544,170.45 | 250,000.00 | 294,170.45 |
| Insurance | 121,490.31 | 175,000.00 | (53,509.69) |
| Maintenance | 85,671.83 | 75,000.00 | 10,671.83 |
| Medical | 2,250.00 | 2,000.00 | 250.00 |
| Mileage Reimbursements | 1,214.89 | 3,000.00 | (1,785.11) |
| Miscellaneous | 6,008.99 | - | 6,008.99 |
| Office Expense | 8,773.32 | 15,000.00 | (6,226.68) |
| Public Relations | 619.46 | 2,000.00 | (1,380.54) |
| Publications | 9,585.06 | 10,000.00 | (414.94) |
| Training | 16,401.65 | 29,000.00 | (12,598.35) |
| Utilities | 36,081.63 | 48,000.00 | (11,918.37) |
| Cash forward contingency | - | 75,000.00 | (75,000.00) |
| Transfer to Special District Reserve | 200,000.00 | 205,910.00 | (5,910.00) |
| **Expenditures Total** | 2,406,549.19 | $ 2,629,410.00 | $ (222,860.81) |
| **Receipts Over (Under) Expenditures** | 30,286.35 | | |
| **Unencumbered Cash, Beginning** | 158,458.39 | | |
| **Unencumbered Cash, Ending** | $ 188,744.74 | | |

See the independant auditor's report on required supplementary information

# Special District Reserve
# Summary of Regulatory Basis Expenditures - Actual
# Regulatory Basis
# For the Year Ended December 31, 2021

| | Actual | Not Budgeted | Variance Over (Under) |
|---|---|---|---|
| **Receipts** | | | |
| Transfer from General | $ 200,000.00 | $ 200,000.00 | $ - |
| **Receipts Total** | 200,000.00 | 200,000.00 | - |
| **Expenditures** | | | |
| Capital Outlay | - | | |
| **Expenditures Total** | - | | |
| **Receipts Over (Under) Expenditures** | 200,000.00 | | |
| **Unencumbered Cash, Beginning** | 1,870,056.86 | | |
| **Unencumbered Cash, Ending** | $ 2,070,056.86 | | |