

Shawnee County Fire District No. 1

**Financial Statement
As of December 31, 2020
and For the Year Then Ended**

With Report by Independent Auditor



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Shawnee County Fire District No. 1

I have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Shawnee County Fire District No. 1 (the District), as of and for the year ended December 31, 2020, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statement based on my audit. I conducted my 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 I 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In my 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, 2020, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In my 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, 2020, 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.

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 and the individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. 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 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.

Shipley CPA, LLC

Shipley CPA, LLC
Manhattan, Kansas
November 22, 2021

SHAWNEE COUNTY FIRE DISTRICT NO. 1
Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2020

<u>Funds</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Encumbrances And Accounts Payable</u>	<u>Ending Cash Balance</u>
General Funds:						
General	\$ 10,973	\$ 480,976	\$ 483,729	\$ 8,220	\$ 11,676	\$ 19,896
Special Purpose Funds:						
Special Equipment	<u>380,237</u>	<u>125,526</u>	<u>220,979</u>	<u>284,784</u>	<u>-</u>	<u>284,784</u>
Total	<u>\$ 391,210</u>	<u>\$ 606,502</u>	<u>\$ 704,708</u>	<u>\$ 293,004</u>	<u>\$ 11,676</u>	<u>\$ 304,680</u>
Composition of Cash and Investments:						
Checking accounts						\$ 18,273
Money market						158,406
Certificates of deposit						<u>128,001</u>
Total Reporting Entity						<u>\$ 304,680</u>

SHAWNEE COUNTY FIRE DISTRICT NO. 1
Notes to the Financial Statement
December 31, 2020

Note 1 – Summary of Significant Accounting Policies

Municipal Financial Reporting Entity

The Shawnee County Fire District No. 1 (the District) was first organized in 1949 as a city volunteer fire department. In 1964 a rural fire department was organized as the Shawnee County Rural Fire District No. 1. In 1983 the two fire departments were consolidated into the single fire department we have today. The change placed the District into the Shawnee County taxation system. Control of the fire department is governed by a Fire Board of Trustees made up of representatives from the city and townships noted below. The fifth member of the Fire Board of Trustees is the Chairperson who is appointed by the County Commission. The District has authority to levy taxes, purchase real estate and issue bonds in its own name. The District includes the City of Silver Lake, Silver Lake Township, Menoken Township and Grove Township. This encompasses an area of approximately 100 square miles. The District has three fire stations.

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 recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

The following types of funds were utilized in recording the financial activities of the District for the year 2020:

Regulatory Basis fund types

General 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 revenue sources, other than major capital projects, that are restricted by law or administrative action to expenditures for specified purposes.

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.

SHAWNEE COUNTY FIRE DISTRICT NO. 1
Notes to the Financial Statement
December 31, 2020

Note 1 – Summary of Significant Accounting Policies (continued)

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.

Reimbursed Expenditures

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

Note 2 – Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of budget for the succeeding calendar year on or before August 1st.
2. Publication 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 such amendments to the 2020 budget.

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.

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 the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

SHAWNEE COUNTY FIRE DISTRICT NO. 1
Notes to the Financial Statement
December 31, 2020

Note 2 – Budgetary Information (continued)

A legal operating budget is not required for the Special Equipment fund.

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

Note 3 - Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 (d) (1) requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

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

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

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance, or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The District has not designated "peak periods". All deposits were legally secured during 2020.

At December 31, 2020, the carrying amount of the District's deposits was \$306,610 and the bank balance was \$319,833. The bank balance was held at one bank resulting in a concentration of credit risk. The difference between the carrying amount and the bank balance is outstanding checks. Of the bank balance, \$250,000 was covered by FDIC insurance and the remaining balance was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the District's name. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: the District, the pledging bank, and the independent third-party bank holding the pledged securities.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Government 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. The District had no investments during 2020.

SHAWNEE COUNTY FIRE DISTRICT NO. 1
Notes to the Financial Statement
December 31, 2020

Note 4 - Property Taxes

In accordance with governing State statutes, property taxes levied during the current year are revenue sources to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar-year basis and are levied and become a lien on the property on November 1st of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half of the full amounts of the taxes levied on or before December 20th during the year levied with the balance to be paid on or before May 10th of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes levied and collected in the year prior to January 1st of the ensuing year.

Note 5 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no decreases in insurance coverage from the prior year.

Note 6 – COVID-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future results of operations. Management is actively monitoring the global and local situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the District is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021. Future potential impacts may include disruptions or restrictions on the District's ability to operate under its current mission and operating model.

Note 7 – Interfund Transactions

Operating transfers were as follows:

From	To	Statutory Authority	Amount
General Fund	Special Equipment Fund	Resolution	\$ 101,525

SHAWNEE COUNTY FIRE DISTRICT NO. 1
Notes to the Financial Statement
December 31, 2020

Note 8 - Long - Term Debt

Long-term debt outstanding for the District for the year ended December 31, 2020, consists of the follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity
Lease Purchase	4.25%	07/31/2014	\$ 450,000	08/15/2024
Capital Sub-Lease	6.25%	04/01/2009	137,500	04/01/2024

Changes in long-term liabilities for the District for the year ended December 31, 2020, were as follows:

Issue	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest and Service Fee Paid
Lease Purchase	\$ 249,373	\$ -	\$ 249,373	\$ -	\$ 9,457
Capital Sub-Lease	61,000	-	10,500	50,500	3,484
	<u>\$ 310,373</u>	<u>\$ -</u>	<u>\$ 259,873</u>	<u>\$ 50,500</u>	<u>\$ 12,941</u>

Current maturities of long-term debt and interest for the next five years and five-year increments through maturity are as follows:

	Principal	Interest	Total
2021	\$ 11,500	\$ 2,797	\$ 14,297
2022	12,000	2,063	14,063
2023	13,000	1,281	14,281
2024	14,000	438	14,438
Total	<u>\$ 50,500</u>	<u>\$ 6,579</u>	<u>\$ 57,079</u>

Note 9 - Defined Benefit Pension Plan

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

SHAWNEE COUNTY FIRE DISTRICT NO. 1
Notes to the Financial Statement
December 31, 2020

Note 9 – Defined Benefit Pension Plan (continued)

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

State law provides that the employer contribution rates for KPERS 1 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% for the Death and Disability Program) and the statutory contribution rate was 8.61% for the fiscal year ended December 31, 2020. Contributions to the pension plan from the District were \$6,109 for the year ended December 31, 2020.

Net Pension Liability

At December 31, 2020, the District's proportionate share of the collective net pension liability reported by KPERS was \$57,783. 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 District's proportion of the net pension liability was based on the ratio of the District's contributions to KPERS, relative to the total employer and nonemployer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

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

Note 10 – Evaluation of Subsequent Events

The District has evaluated events and transactions for potential recognition or disclosure through the date of the independent auditor's report which is the date the financial statement was available for issue.

**Regulatory-Required
Supplementary Information**

SCHEDULE 1

SHAWNEE COUNTY FIRE DISTRICT NO. 1
Summary of Expenditures – Actual and Budget
Regulatory Basis
(Budgeted Funds Only)
For the Year Ended December 31, 2020

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustments for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance- Over (Under)</u>
General Fund	\$ 499,000	\$ -	\$ 499,000	\$ 483,729	\$ (15,271)

SCHEDULE 2

SHAWNEE COUNTY FIRE DISTRICT NO. 1
General Fund
Schedule of Receipts and Expenditures – Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2020

	Actual	Budget	Variance Over (Under)
Receipts:			
Ad Valorem Tax	\$ 422,978	\$ 423,167	\$ (189)
Motor Vehicle Tax	52,888	51,274	1,614
Recreational Vehicle Tax	916	876	40
16/20 M Vehicle Tax	907	805	102
Commercial Vehicle Tax	2,054	1,786	268
Watercraft Tax	-	392	(392)
Interest on Idle Funds	532	400	132
Miscellaneous	701	300	401
Total Receipts	<u>480,976</u>	<u>\$ 479,000</u>	<u>\$ 1,976</u>
Expenditures:			
General Government			
Personal Services	\$ 215,521	\$ 234,000	\$ (18,479)
Contractual Services	40,374	57,000	(16,626)
Commodities	52,763	93,000	(40,237)
Capital Outlay	-	55,025	(55,025)
Debt Service	69,171	55,975	13,196
Miscellaneous	4,375	4,000	375
Transfers Out	101,525	-	101,525
Total Expenditures	<u>483,729</u>	<u>\$ 499,000</u>	<u>\$ (15,271)</u>
Receipts Over (Under) Expenditures	(2,753)		
Unencumbered Cash, Beginning	10,973		
Unencumbered Cash, Ending	<u>\$ 8,220</u>		

SHAWNEE COUNTY FIRE DISTRICT NO. 1
Special Equipment Fund
Schedule of Receipts and Expenditures – Actual
Regulatory Basis
For the Year Ended December 31, 2020

Receipts:

Grants	\$ 21,293
Interest on Idle Funds	2,708
Transfers in	<u>101,525</u>

Total Receipts

125,526

Expenditures:

Contractual Services	17,336
Debt Service	<u>203,643</u>

Total Expenditures

220,979

Receipts Over (Under) Expenditures (95,453)

Unencumbered Cash, Beginning 380,237

Unencumbered Cash, Ending \$ 284,784