FIRE DISTRICT NO. 2
JOHNSON COUNTY, KANSAS

REGULATORY BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

TOGETHER WITH

INDEPENDENT AUDITOR'S REPORT

FIRE DISTRICT NO. 2, JOHNSON COUNTY, KANSAS

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TB & Co.

TROUTT, BEEMAN & CO., P.C. CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Fire District No. 2, Johnson County, Kansas

Report on the Financial Statements

We have audited the accompanying statement of receipts, expenditures, and unencumbered cash of Fire District No. 2, Johnson County, Kansas (the District), as of and for the year ended December 31, 2016, and related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed by the *Kansas Municipal Audit and Accounting Guide (KMAAG)* to demonstrate compliance with KMAAG's basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the District to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2016, or changes in financial position or cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the District as of December 31, 2016, and the aggregate receipts and expenditures for the year ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures - actual and budget, individual fund schedules of regulatory basis receipts and expenditures - actual and budget, regulatory basis (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 procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Troutt, Beeman & Co., P.C.

Olathe, Kansas
June 2, 2017

FIRE DISTRICT NO. 2, JOHNSON COUNTY, KANSAS
SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
General fund,							
General	$ 42,760	$ -	$ 4,227,969	$ 4,187,494	$ 83,235	$ 114,978	$ 198,213
Special purpose fund,							
Ambulance	93,963	-	613,543	625,000	82,506	-	82,506
Bond and interest fund,							
Bond and interest	102,359	-	434,977	479,975	57,361	-	57,361
Capital projects fund,							
2015 Bond Fund	2,435,208	-	-	2,435,208	-	-	-
Reserve funds:							
Equipment	589,240	-	671,042	330,384	929,898	235,400	1,165,298
Building	10,000	-	-	-	10,000	-	10,000
Total reporting entity	$ 3,273,530	$ -	$ 5,947,531	$ 8,058,061	$ 1,163,000	$ 350,378	$ 1,513,378

Composition of cash:

Money market accounts, First National Bank	$ 151,615
Municipal investment pool	1,370,709
Checking accounts, First National Bank	(9,246)
Petty cash	300
Total reporting entity	$ 1,513,378

See accompanying notes.

FIRE DISTRICT NO. 2, JOHNSON COUNTY, KANSAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity: Fire District No. 2, Johnson County, Kansas (the District), was created June 6, 1974, by the Board of County Commissioners of Johnson County, under the provisions of K.S.A. 19-3613. The District is governed by a five member Board of Directors that is appointed by the Third District Commissioner and must reside in the fire district area. The Board of Directors helps to oversee the operation of the District's fire department and selection of regular fire department employees. The District's service area is comprised of approximately 140 square miles of Johnson County and Miami County. The District's financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 3100 of the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, include whether:

1. The organization is legally separate (can sue and be sued in their own name).
2. The District holds the corporate powers of the organization.
3. The District appoints a voting majority of the organization's Board.
4. The District is able to impose its will on the organization.
5. The organization has the potential to impose a financial benefit or burden on the District.
6. There is fiscal dependency of the organization by the District.

Based on the aforementioned criteria, Fire District No. 2, Johnson County, Kansas, has no component units.

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 revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities, or deferred inflows or outflows, other than those mentioned above.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Reimbursements: A reimbursement is an expenditure or expense initially made in one fund, but properly attributable to another fund. For example, it is common for the general fund to pay a vendor's bill and have portions of it reimbursed by other funds. In accounting for such reimbursements, the District records an expenditure in the reimbursing fund and a reduction of expenditure in the reimbursed fund, following the authoritative guidance provided under KMAAG regulatory basis accounting.

Regulatory Basis Fund Types:

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

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

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

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

1. Preparation of the budget for the succeeding calendar year on or before August 1st.

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

3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.

4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in 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 the year ended December 31, 2016.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Budgetary Information (Continued):

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 statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the 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 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 capital project funds, fiduciary funds, permanent funds, and the following special purpose funds:

Building Replacement Reserve Fund
2015 Bond 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.

Investments: The District invests in authorized investment pools. Investments are carried at fair value.

Cash and Cash Equivalents: Cash of all funds, excluding the District's payroll clearing account, is pooled in a common interest bearing bank account in order to maximize investment opportunities.

Inventories and Prepaid Expenses: Inventories and prepaid expenses, which benefit future periods, are recorded as expenditures during the year of purchase as required by state statute.

Capital Assets: The expenditures for capital assets are reflected in the year the expenditures are made. No estimated useful lives, in years, have been calculated for depreciation purposes for fixed assets.

2. 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; injuries to employees; and natural disasters for which the District carries commercial insurance. There have been no significant reductions in insurance coverage from the prior year.

3. DEPOSITS AND INVESTMENTS:

At December 31, 2016, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities Less than 1 year	Rating
Kansas Municipal Investment Pool	$ 1,370,709	$ 1,370,709	S&P AAAf/S1+

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for 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. The rating of the District's investments is noted above.

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 K.S.A. 9-1405. The District's allocation of investments as of December 31, 2016, is as follows:

Investments	Percentage of Investments
Kansas Municipal Investment Pool	100%

3. DEPOSITS AND INVESTMENTS (Continued):

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The District has no designated "peak periods". All deposits were legally secured at December 31, 2016.

At December 31, 2016, the District's carrying amount of deposits was $142,669 and the bank balance was $187,915. The entire bank balance was covered by federal depository insurance.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

At December 31, 2016, the District had invested $1,370,709 in the State's municipal investment pool. The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest, by the U.S. government or any agency thereof, with maturities up to four years. No more than 10% of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

4. COMPENSATED ABSENCES:

Vacation leave – Vacation leave shall be earned from the most recent date of employment. Leave is accrued by full time employees at a rate based on the years of service completed with the District, the work assignment, and the customary number of hours in the pay period. Employees are allowed to carry over unused vacation leave from year to year. The maximum amount any employee can accrue at any time is twice their annual accrual amount. Upon termination, an employee shall be compensated for all earned but unused vacation leave at their final rate of pay. The estimated liability for accrued vacation leave at December 31, 2016, is $157,864.

Sick leave – The District's policy allows employees to accrue sick leave on a monthly basis. Shift employees in regular full-time positions accrue one working day each month of service. Forty hour per week employees in regular full-time positions accrue two working days for each month of service. The maximum accrual is 45 days for shift employees and ninety days for regular full-time employees. No unused accumulated sick pay is paid at termination.

5. LONG-TERM DEBT:

The District has issued General Obligation Bonds Series 2006A dated March 1, 2006, in the amount of $1,055,000 for the purpose of fire station upgrades and remodeling. Also, the District issued General Obligation Bonds Series 2007A dated November 15, 2007, in the amount of $3,000,000 for the purpose of acquiring new fire apparatus. The District has issued General Obligation Bonds Series 2015A dated May 13, 2015, in the amount of $2,585,000 for the purpose of building a new fire station.

A summary of general long-term debt is as follows:

General obligation bonds:	
$1,055,000 Series 2006-A, dated March 1, 2006, due in annual installments of $65,000 to $85,000, until maturity on September 1, 2021, interest at 3.5% to 5%	$ 435,000
$3,000,000 Series 2007-A, dated November 15, 2007, due in annual installments of $280,000 to $400,000, until maturity on September 1, 2018, interest at 3.45% to 4.25%	740,000
$2,585,000 Series 2015-A, dated May 13, 2015, due in annual installments of $190,000 to $245,000, until maturity on September 1, 2030, interest at 1.5% to 3%.	2,585,000
Total long-term debt	$ 3,760,000

Changes in the District's long-term debt balances for the year ended December 31, 2016, were as follows:

	Balance January 1, 2016	Additions	Retirements	Balance December 31, 2016	Amounts Due Within One Year
General obligation bonds	$ 4,180,000	$ -	$ 420,000	$ 3,760,000	$ 440,000

5. LONG-TERM DEBT (Continued):

Aggregate annual principal and interest payments applicable to long-term debt are:

Years Ending December 31,	Principal	Interest	Total
2017	$ 440,000	$ 108,242	$ 548,242
2018	465,000	91,882	556,882
2019	275,000	74,128	349,128
2020	285,000	67,962	352,962
2021	295,000	60,462	355,462
2022-2026	1,055,000	218,250	1,273,250
2027-2030	945,000	71,851	1,016,851
	$ 3,760,000	$ 692,777	$ 4,452,777

6. 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 1 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 or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. At December 31 such taxes are a lien on the property.

The estimated assessed valuation of tangible property for the purpose of local taxation as of July 1, 2015, was $169,849,589. The tax levy per $1,000 assessed valuation of tangible real and personal property for the calendar year of 2016 was as follows:

General Fund	15.135
Ambulance	1.868
Bond and interest #4	1.282
Bond and interest #5	0.319
	18.604

7. 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 benefits 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 S Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions. K.S.A. 74-4919 and K.S.A. establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is 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, KPERS2, 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 of KPERS 1, KPERS 2, and KPERS 3 be determined based on 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 Death and Disability Program) and the statutory contribution rate was 9.43% for the fiscal year ended December 31, 2016. Contributions to the pension plan from the District were $267,670 for the year ended December 31, 2016.

Net Pension Liability

At December 31, 2016, the District's proportionate share of the collective new pension liability reported by KPERS was $2,588,722. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015, which was rolled forward to June 30, 2016. The District's proportion of the net pension liability based on the ratio of the District's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in 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 employer and publicly available on the website at www.kpers.org or can be obtained as described above.

8. INTERFUND TRANSFERS:

Operating transfers were as follows:

From	To	Statutory Authority	Amount
Ambulance Fund	General Fund	K.S.A. 19-3613	$ 550,000
General Fund	Equipment Reserve Fund	K.S.A. 19-3613	$ 75,000
Ambulance Fund	Equipment Reserve Fund	K.S.A. 19-3613	$ 75,000

9. EVALUATION OF SUBSEQUENT EVENTS:

The District does not have a signed fire protection contract with the City of Spring Hill for 2017. The contract represents a material revenue source for the District. The City has made a payment to the District and the District has been providing fire protection during 2017. The District has evaluated subsequent events through June 2, 2017, the date which the financial statements were available to be issued.

REGULATORY – REQUIRED SUPPLEMENTARY INFORMATION

Schedule 1

FIRE DISTRICT NO. 2, JOHNSON COUNTY, KANSAS
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
General fund, General fund	$ 4,324,075	$ -	$ 4,324,075	$ 4,187,494	$ 136,581
Special purpose, Ambulance	550,000	-	550,000	625,000	(75,000)
Bond and interest, Debt service	479,975	-	479,975	479,975	-
Special equipment, Replacement reserve	145,200	-	145,200	330,384	(185,184)
Total	$ 5,499,250	$ -	$ 5,499,250	$ 5,622,853	$ (123,603)

See accompanying notes.

Schedule 2-A

FIRE DISTRICT NO. 2, JOHNSON COUNTY, KANSAS
GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	ACTUAL	BUDGET	VARIANCE OVER (UNDER)
RECEIPTS:			
Ad valorem taxes	$ 2,527,636	$ 2,572,992	$ (45,356)
Delinquent taxes	52,240	30,000	22,240
Recreation vehicle tax	4,395	2,873	1,522
Motor vehicle tax	288,160	278,367	9,793
Heavy truck tax	16,296	13,589	2,707
Excise tax	46	-	46
Reimbursement and miscellaneous	45,622	30,500	15,122
Miami County Fire District	177,695	177,695	-
City of Spring Hill	562,635	576,512	(13,877)
City of Overland Park	552,323	525,000	27,323
Interest on idle funds	921	-	921
Operating transfers	-	145,200	(145,200)
Total receipts	4,227,969	$ 4,352,728	$ (124,759)
EXPENDITURES:			
Payroll, payroll taxes, and employee benefits	4,020,058	4,181,075	161,017
Training and tuition	28,991	41,500	12,509
Uniforms and bunker gear	36,290	31,000	(5,290)
Ambulance - consumable supplies and fees	6,842	6,200	(642)
Fire - consumable supplies	3,703	6,000	2,297
Fire prevention	1,946	3,100	1,154
Communication - telephones, radios, and pagers	53,614	48,900	(4,714)
Truck, ambulance, and auto - maintenance, title, and fuel	92,210	133,000	40,790
Maintenance of equipment and tool purchases	28,904	29,500	596
Utilities	61,559	72,500	10,941
Insurance - buildings and equipment	76,266	60,000	(16,266)
Administrative and office	26,871	57,300	30,429
Capital outlay - new equipment and buildings (non-major)	31,279	19,500	(11,779)
Legal	16,953	20,000	3,047
Repairs and maintenance - equipment and buildings	37,867	30,000	(7,867)
Accounting, auditing, budgeting, and payroll services	30,675	29,000	(1,675)
Ambulance run fee billing service	18,958	13,000	(5,958)
Med-Act trip charges	7,072	7,500	428
Interest expense	82,436	85,000	2,564
Less - unallocated ambulance expenses included	(550,000)	(550,000)	-
Operating transfers	75,000	-	(75,000)
Total expenditures	4,187,494	$ 4,324,075	136,581
RECEIPTS OVER (UNDER) EXPENDITURES	40,475	28,653	$ 11,822
UNENCUMBERED CASH BALANCE, BEGINNING	42,760		
UNENCUMBERED CASH BALANCE, ENDING	$ 83,235		

See accompanying notes.

Schedule 2-B

FIRE DISTRICT NO. 2, JOHNSON COUNTY, KANSAS
AMBULANCE FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	ACTUAL	BUDGET	VARIANCE OVER (UNDER)
RECEIPTS:			
Ad valorem taxes	$ 311,967	$ 317,562	$ (5,595)
Delinquent taxes	6,599	-	6,599
Recreation vehicle tax	513	324	189
Motor vehicle tax	34,287	31,343	2,944
Heavy truck tax	2,018	1,530	488
Excise tax	6	-	6
Miami Co Fire District	36,750	36,750	-
Ambulances run fees	221,401	150,000	71,401
Interest on idle funds	2	-	2
Total receipts	613,543	$ 537,509	$ 76,034
EXPENDITURES:			
Unallocated ambulance expenses	550,000	550,000	-
Transfer to special equipment reserve	75,000	-	(75,000)
Total expenditures	625,000	$ 550,000	(75,000)
RECEIPTS OVER (UNDER) EXPENDITURES	(11,457)	(12,491)	$ 1,034
UNENCUMBERED CASH BALANCE, BEGINNING	93,963		
UNENCUMBERED CASH BALANCE, ENDING	$ 82,506		

See accompanying notes.

Schedule 2-C

FIRE DISTRICT NO. 2, JOHNSON COUNTY, KANSAS
DEBT SERVICE FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	ACTUAL	BUDGET	VARIANCE OVER (UNDER)
RECEIPTS:			
Ad valorem taxes	$ 370,069	$ 363,997	$ 6,072
Delinquent taxes	9,412	-	9,412
Recreation vehicle tax	741	508	233
Motor vehicle tax	50,907	49,169	1,738
Heavy truck tax	2,469	2,399	70
Excise tax	7	-	7
Interest income	1,372	-	1,372
Total receipts	434,977	$ 416,073	$ 18,904
EXPENDITURES:			
Bond principal payment	420,000	420,000	-
Interest payments	59,975	59,975	-
Total expenditures	479,975	$ 479,975	-
RECEIPTS OVER (UNDER) EXPENDITURES	(44,998)	(63,902)	$ 18,904
UNENCUMBERED CASH BALANCE, BEGINNING	102,359		
UNENCUMBERED CASH BALANCE, ENDING	$ 57,361		

See accompanying notes.

Schedule 2-D

FIRE DISTRICT NO. 2, JOHNSON COUNTY, KANSAS
EQUIPMENT REPLACEMENT RESERVE FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	ACTUAL	BUDGET	VARIANCE OVER (UNDER)
RECEIPTS:			
Interest income	$ 840	$ -	$ 840
Other	32,374	-	32,374
Proceeds from sale of equipment	487,828	-	487,828
Operating transfers	150,000	-	150,000
Total receipts	671,042	$ -	$ 671,042
EXPENDITURES:			
Equipment purchases	330,384	-	(330,384)
Operating transfers	-	145,200	145,200
Total expenditures	330,384	$ 145,200	(185,184)
		-	
RECEIPTS (UNDER) EXPENDITURES	340,658	(145,200)	$ 485,858
UNENCUMBERED CASH BALANCE, BEGINNING	589,240		
UNENCUMBERED CASH BALANCE, ENDING	$ 929,898		

See accompanying notes.

Schedule 2-E

FIRE DISTRICT NO. 2, JOHNSON COUNTY, KANSAS
BUILDING REPLACEMENT RESERVE FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	ACTUAL
RECEIPTS	$ -
EXPENDITURES	-
RECEIPTS (UNDER) EXPENDITURES	-
UNENCUMBERED CASH BALANCE, BEGINNING	10,000
UNENCUMBERED CASH BALANCE, ENDING	$ 10,000

See accompanying notes.

Schedule 2-F

FIRE DISTRICT NO. 2, JOHNSON COUNTY, KANSAS
2015 BOND FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	ACTUAL
RECEIPTS:	$ -
EXPENDITURES,	
Building capital improvements	2,435,208
RECEIPTS (UNDER) EXPENDITURES	(2,435,208)
UNENCUMBERED CASH BALANCE, BEGINNING	2,435,208
UNENCUMBERED CASH BALANCE, ENDING	$ -

See accompanying notes.

FIRE DISTRICT NO. 2 JOHNSON COUNTY, KANSAS

COMMUNICATION OF SIGNIFICANT DEFICIENCIES

TB & Co.

TROUTT, BEEMAN & CO., P.C. CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Fire District No. 2, Johnson County, Kansas

In planning and performing our audit of the basic financial statements of Fire District No. 2, Johnson County, Kansas (the District), as of and for year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America and the regulatory basis of accounting, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, significant deficiencies in internal control or material weaknesses may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the District's internal control to be significant deficiencies:

Cash Balances: Adjustments were required to properly reflect cash balances between funds at year-end. Kansas Statute 10-1117 and 10-1118 requires every municipality keep a record of total money in treasury as well as in each particular fund. We recommend that the District implement policies and procedures to ensure activity in the pooled investment accounts and accounting software reflect transfers approved in the minutes.

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Fund Indebtedness: The ambulance and Equipment Reserve Funds have actual expenditures in excess of budgeted amounts. Kansas Statute 79-2935 requires every municipality to control expenditures so that no indebtedness is created in excess of budgeted limits. Expenditures, including encumbrances, in any lawfully budgeted fund should not exceed the adopted budget of expenditures plus any reimbursements of current year expenditures for such fund for that budget year. We recommend that the District implement policies and procedures to ensure expenditures are within budget limits.

Bank Reconciliations: It was noted during the audit that several transactions were incurred after bank accounts were reconciled in the accounting software. In most cases activity should not be back dated prior to a bank reconciliation which has already been completed. It was also noted there are several old journal entries which have not cleared the bank reconciliations. We recommend that policies and procedures be implemented to ensure bank reconciliations are accurate and completed timely. We also recommend that old items on bank reconciliations be cleared out.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Troutt, Beeman & Co., P.C.
Olathe, Kansas
June 2, 2017