

BURLINGTON FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

BURLINGTON FIRE PROTECTION DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS	
Statement of Net Assets and Governmental Funds Balance Sheet	8
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance	9
Notes to Financial Statements	10
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule	22
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	23



Anneken, Huey & Moser^{PLLC}

Certified Public Accountants

Engaged. Responsive. Future-focused.

INDEPENDENT AUDITOR'S REPORT

**To the Board of Trustees of
Burlington Fire Protection District**
Boone County, Kentucky

We have audited the accompanying financial statements of the governmental activities of Burlington Fire Protection District, as of and for the year ended June 30, 2012, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Burlington Fire Protection District, as of June 30, 2012, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 17, 2012, on our consideration of the Burlington Fire Protection District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and page 22 be presented to supplement the basic financial statements. Such information, 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 the 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 the sufficient evidence to express an opinion or provide any assurance.

Anniken, Huey & Moore, PLLC

December 17, 2012

**Burlington Fire Protection District
Management's Discussion and Analysis
For the year ended June 30, 2012**

As management of the Burlington Fire Protection District, we offer this discussion and analysis of the Fire District's financial activities for the fiscal year ended June 30, 2012. This is a summary of the Fire District's financial activities and performance based upon current known facts, decisions, or conditions.

Financial highlights

- The Burlington Fire Protection District decreased the total debt principal by \$103,046 during the fiscal year ending June 30, 2012.
- A new brush firefighting vehicle was purchased and placed in service in December 2011, to replace a previous similar type vehicle which was sold to offset most of the purchase.
- In October 2011, the District received notification that the Federal Emergency Management Agency (FEMA) had approved funding for a damaged retaining wall. Engineering work began with construction occurring in the subsequent fiscal year.
- Net assets as of June 30, 2012 were \$3,467,218 reflecting a \$21,124 decrease from net assets of \$3,488,342 at June 30, 2011.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Burlington Fire Protection District's basic financial statements. The Burlington Fire Protection District's basic financial statements comprise two components: 1) the combined Government-wide and Fund financial statements, and 2) Notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Combined Government-Wide and Fund Financial Statements

These combined statements are intended to give an overall view of the financial condition of the Burlington Fire Protection District and the fund activity of the Governmental Fund. The Burlington Fire Protection District has a single governmental fund.

The column for the statement of net assets presents information on all of the Burlington Fire Protection District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Burlington Fire Protection District is improving or deteriorating.

The column for the statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected tax or EMS revenue and unpaid purchases).

The column for the general fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Burlington Fire Protection District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with related legal requirements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements.

Other Information

In addition to the financial statements and the accompanying notes to the financial statements, this report also presents schedules that reflect actual versus budgeted expenditures.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Burlington Fire Protection District, assets exceeded liabilities by \$3,467,218 at the close of the most recent fiscal year.

Condensed comparative data

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Total Assets	\$4,086,214	\$4,146,377
Net Capital assets	\$2,913,173	\$3,043,182
Total Liabilities	\$ 618,996	\$ 658,035
Long-term liabilities	\$ 387,204	\$ 492,930
Total Net Assets	\$3,467,218	\$3,488,342
Invested in Capital Assets,		
Net of Related Debt	\$2,420,558	\$2,447,521
Unrestricted	\$1,046,660	\$1,040,821

At the end of the current fiscal year, the Burlington Fire Protection District is able to report positive balances in both categories of net assets. The same holds true for prior year. There was an increase of \$ 5,839 in unrestricted net assets reported in connection with the Burlington Fire Protection District's governmental activities. These amounts represent the various funds unrestricted for the repayment of debt and ongoing capital needs.

Program revenues

All programs within the Burlington Fire Protection District are directly linked to preventing, response preparation, or actual response to emergencies of varying degrees as requested by the public. The significant revenues by program would include EMS billing where revenues for medical care and

transport are collected. EMS billing revenues totaled \$ 351,311 for the year ending June 30, 2012. These revenues totaled \$ 307,614 for the preceding fiscal year.

General revenues by major source

The substantial revenue source for the Burlington Fire Protection District is comprised of property taxes. Property tax revenues totaled \$2,635,089 for the year ending June 30, 2012. These revenues totaled \$2,631,533 for the preceding fiscal year. Property tax revenue accounts for 83.7% of all revenue for the District. EMS billing revenue accounts for 11.2% of all revenues for the District.

Total Revenues

The total revenues for the Burlington Fire Protection District were \$3,149,307 as of June 30, 2012. The total revenues for the District as of June 30, 2011, were \$3,183,733. This decrease is attributed to lower revenues from EMS billing than anticipated and budgeted in the fiscal year ending June 30, 2012. All other revenue shortfalls totaled less than \$3,600. Offsetting these revenue shortfalls were property tax collections higher than expected resulting in a net revenue change from the previous fiscal year of only \$34,426.

Program expenses

All programs within the Burlington Fire Protection District are directly linked to preventing, response preparation, or actual response to emergencies of varying degrees as requested by the public. The significant program expense was for personnel services which totaled \$2,630,877 accounting for 83.0% of all expenses as of June 30, 2012. This program expense increased 8.3% over the period ending June 30, 2011, which totaled \$2,429,206. A significant portion of the additional expense for personnel is directly attributable to the increase in the required employer contribution to the state retirement system. The District's contribution for all gross wages increased by 2.5% for hazardous duty personnel and increased by 2.0% for non-hazardous duty personnel.

Total expenses

Expenses within the Fire District were comparable to the previous fiscal year with significant expenditures in the areas of personnel services, depreciation, debt service, supplies and equipment, and administrative expenses. Other expenses accounted for 5.5% or less of total expenses. The total expenses for the fiscal year ending June 30, 2012, as identified in the Statement of Activities were \$3,170,431. This was an increase of 6.6% from the previous fiscal year with expenses of \$2,974,977.

Overall Analysis

The overall financial position for the Burlington Fire Protection District is strong but challenging. The budget for the year ending June 30, 2012, conservatively budgeted revenues to be less than actual revenues received for the previous fiscal year. Expenditures were controlled from the outset by remaining at or below anticipated revenues to maintain a balanced budget for the District. Despite prudent planning, actual revenues received for the year ending June 30, 2012, were still under budget estimates by \$34,449. The majority of the revenue shortfall was from EMS billing collections. Even with revenue shortages, the District prudently controlled expenditures to within \$1,016 of budgeted expenditures, representing just 0.03% of the expenditures budgeted.

Fund Analysis

The Burlington Fire Protection District has a single governmental fund. The general fund balance increased by \$4,570 or 0.4% between fiscal years 2011 and 2012 to \$1,052,731 prior to adjustments reconciling net assets reported in the entity-wide statement. Expenses increased by 5.6% to \$3,144,737. Revenues decreased by \$74,426 or 2.3% to \$3,109,307. Tax rates were unchanged during the year. The tax rate was \$0.15 per \$100 of assessed valuation for real estate and \$0.20 per \$100 of assessed valuation for personal property. Fire Protection Districts that provide Emergency Medical care and transport services, such as Burlington Fire Protection District, are authorized to have a tax rate as high as \$0.20 per \$100 of assessed valuation.

Budget variances in the general fund

Very few budget adjustments were made for the fiscal year ending June 30, 2012. Only some slight adjustments within the budgeted expenditure line items were made to accommodate the replacement of an ambulance cot that failed during routine training. The unforeseen replacement expense was just over \$10,000. Internal expenditure line items were adjusted to maintain a zero dollar net change in budgeted expenditures for the governmental general fund despite the capital asset qualification.

Capital assets and long-term debt activity

Capital assets of the District are defined as assets with an initial, individual cost of more than \$500. The District uses the straight-line depreciation method over the useful life of the asset. Buildings and related improvements are depreciated over 15-40 years. Land improvements are depreciated over 5-15 years. Equipment varies widely by type of equipment and useful life but generally is depreciated over between 5-20 years. Apparatus also is depreciated over 5-20 years depending upon the type and application of the apparatus. Protective clothing is depreciated over 3 years.

Capital assets for the District totaled \$5,079,851 for the year ending June 30, 2012. This represents a total capital assets increase of \$48,279 from the preceding fiscal year. More information can be found in Note C of the financial statements.

At the year end the Burlington Fire Protection District had \$492,615 in long-term principal debt. This debt consists of a lease for the Firehouse with Fifth Third Bank. Leases are being accounted for as purchases. This is a decrease of 17.3% from the balance on June 30, 2011. More information concerning the long-term liabilities of the Burlington Fire Protection District can be found in the Note D to the financial statements.

Subsequent events

Subsequent to year end, the District has received proposals and awarded the work to repair the damaged retaining wall at an approximate construction cost of \$149,000. This repair work is related to the Federal Emergency Management Agency assistance award notification received in the fiscal year ending June 30, 2012.

The District is involved with various litigation matters that have arisen after June 30, 2012. These matters have been communicated to the District's legal counsel as they have developed. The District management and legal counsel believe the District will prevail in all current legal actions.

This financial overview report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of Burlington Fire Protection District's finances and to demonstrate the Burlington Fire Protection District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Fire Chief Jeff Barlow at (859) 586-6161.

BURLINGTON FIRE PROTECTION DISTRICT
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2012

	<u>General Fund</u>	<u>Adjustments (Note H)</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash	\$ 1,081,385	\$ -	\$ 1,081,385
Tax receivable	30,039	-	30,039
EMS billing receivable	48,003	-	48,003
Prepaid items	13,614	-	13,614
Capital assets not being depreciated:			
Land	-	317,300	317,300
Construction in progress	-	7,500	7,500
Capital assets, net of accumulated depreciation	-	2,588,373	2,588,373
TOTAL ASSETS	<u>\$ 1,173,041</u>	<u>\$ 2,913,173</u>	<u>\$ 4,086,214</u>
LIABILITIES			
Accounts payable	\$ 83,674	\$ -	\$ 83,674
Accrued payroll and taxes	36,636	-	36,636
Accrued interest payable	-	6,071	6,071
Long-term debt			
Due within one year	-	105,411	105,411
Due after one year	-	387,204	387,204
TOTAL LIABILITIES	<u>120,310</u>	<u>498,686</u>	<u>618,996</u>
FUND BALANCES			
Nonspendable:			
Prepays	\$ 13,614	\$ (13,614)	
Assigned:			
Capital projects	391,872	(391,872)	
Unassigned	647,245	(647,245)	
TOTAL FUND BALANCES	<u>1,052,731</u>	<u>(1,052,731)</u>	
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,173,041</u>	<u>\$ (554,045)</u>	
NET ASSETS			
Invested in capital assets, net of related debt		\$ 2,420,558	\$ 2,420,558
Unrestricted		1,046,660	1,046,660
TOTAL NET ASSETS		<u>\$ 3,467,218</u>	<u>\$ 3,467,218</u>

See accompanying notes to financial statements.

BURLINGTON FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2012

	<u>General Fund</u>	<u>Adjustments (Note H)</u>	<u>Statement of Activities</u>
REVENUES			
Property taxes	\$2,635,089	\$ -	\$ 2,635,089
Intergovernmental revenue	22,646	-	22,646
Interest	840	-	840
EMS billings	351,311	-	351,311
Gain on disposals	-	40,000	40,000
Incentive pay	71,584	-	71,584
Miscellaneous income	27,837	-	27,837
TOTAL REVENUES	<u>3,109,307</u>	<u>40,000</u>	<u>3,149,307</u>
EXPENDITURES/EXPENSES			
Personnel services	2,630,877	-	2,630,877
Repairs and maintenance	47,153	-	47,153
Supplies and equipment	64,173	-	64,173
Administrative expenses	85,508	-	85,508
Utilities and heating supplies	28,387	-	28,387
Insurance	49,029	-	49,029
Training and continuing education	35,485	-	35,485
Fire prevention	3,356	-	3,356
Depreciation	-	214,964	214,964
Capital Outlay			
Equipment	84,955	(84,955)	-
Building improvements	-	-	-
Debt service:			
Principal retirement	103,045	(103,045)	-
Interest	12,769	(1,270)	11,499
TOTAL EXPENDITURES/EXPENSES	<u>3,144,737</u>	<u>25,694</u>	<u>3,170,431</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	<u>(35,430)</u>	<u>14,306</u>	<u>(21,124)</u>
OTHER FINANCING SOURCES			
Proceeds from disposals	40,000	(40,000)	-
TOTAL OTHER FINANCING SOURCES	<u>40,000</u>	<u>(40,000)</u>	<u>-</u>
NET CHANGES IN FUND BALANCE AND NET ASSETS	4,570	(25,694)	(21,124)
FUND BALANCES/NET ASSETS, BEGINNING OF YEAR	<u>1,048,161</u>	<u>2,440,181</u>	<u>3,488,342</u>
FUND BALANCES/NET ASSETS, AT END OF YEAR	<u>\$1,052,731</u>	<u>\$2,414,487</u>	<u>\$ 3,467,218</u>

See accompanying notes to financial statements.

BURLINGTON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Burlington Fire Protection District provides fire protection for the Burlington area located in Boone County, Kentucky. The District is a governmental unit.

The accounting policies of the Burlington Fire Protection District conform to generally accepted accounting principles as applicable to governmental units. The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, including Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis*, which mandates the reporting model implemented by the District. The following is a summary of the significant policies:

Fund Accounting

The financial statement presentation for the District includes separate columns reporting a statement of net assets and a statement of activities. These statements present an entity-wide presentation of all activities of the District. A separate governmental funds column in the financial statements presents the governmental funds balance sheet and the statement of revenues, expenditures and changes in fund balance.

Basis of Accounting, Measurement Focus, and Financial Statement Presentation

The entity-wide financial statements are reported using the economic resources management focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Furthermore, both long term and current assets and liabilities are included in the statement of net assets.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction 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. A 60 day availability period is used for revenue recognition for governmental fund revenues. Expenditures are recorded when the related fund liability is incurred.

BURLINGTON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

Major Funds

The District reported the following governmental fund in the accompanying financial statements:

General Fund – The General Fund is the general operating fund of the District. It is to be used to account for all financial resources except those required to be accounted for in another fund. The major revenue sources for this fund are property taxes, grants, EMS billings, and interest income. Expenditures are made for general expenses not required to be accounted for in another fund.

Budget

Once approved, the Board of Trustees may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenses.

Revenue

The District's primary source of revenue is from property and franchise taxes. These are levied by the District and are collected by the Boone County Sheriff and Boone County Clerk. The portion payable to the Fire District is then forwarded to the District on a monthly basis.

Receivables

No allowance for doubtful accounts is required.

Prepays

Prepays record payments to vendors that benefit future reporting periods, such as insurance.

BURLINGTON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

Capital Assets

Capital assets are recorded at cost net of accumulated depreciation in the entity-wide statement of net assets. The District defines capital assets as assets with an initial, individual cost of more than \$500. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets of the District are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	15-40
Land improvements	5-15
Equipment	5-20
Protective clothing	3
Vehicles	5-20

Income Tax Status

The District is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code. The District is classified by the Internal Revenue Service as an organization that receives a substantial portion of its income from a governmental unit.

Pervasiveness of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Fair Value of Financial Instruments

The carrying amount reflected in the balance sheet for cash and certificates of deposit approximates fair value due to the short maturity of the instruments.

Long-Term Obligations

In the entity-wide financial statements, long-term debt and other long-term obligations are reported as liabilities.

BURLINGTON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, are capital assets less accumulated depreciation and any outstanding debt related to acquisition, construction, or improvement of those assets.

In the fund financial statements, government funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Fire Taxation

Property taxes are assessed as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable on or before December 31. The taxpayer may, however, receive a 2% discount if the taxes are paid by early November. All unpaid taxes become delinquent January 1 of the following year. The property taxes are billed and collected by the Boone County Sheriff. The portion payable to the District is then forwarded to the District on a monthly basis. The District records tax revenue once it has been collected by the County Sheriff.

A majority of the property taxes are received during the month of November each year. The County Sheriff withholds a portion of the property taxes as a collection fee.

The District's property tax rate is set annually by the District's Board of Trustees. The real estate property tax rate was \$0.15 per \$100 of valuation and tangible rate was \$0.20 per \$100 of valuation for the fiscal year ending June 30, 2012.

Property taxes on motor vehicles are billed and collected by the Boone County Clerk. These taxes are levied on the first day of the motor vehicle owner's birth month and are due and payable on or before the last day of that month. All unpaid taxes become delinquent on the first day of the subsequent month. The portion payable is forwarded to the District on a monthly basis. The taxes are collected evenly throughout the year. The County Clerk withholds a portion of the motor vehicles taxes collected as a collection fee.

Out-of-county motor vehicle taxes as well as omitted tangible property taxes are collected by the Kentucky Department of Revenue and forwarded to the District on a quarterly basis. These tax collections are unpredictable. The Kentucky Department of Revenue withholds a portion of the taxes collected as a public service charge back fee.

Subsequent Events

Subsequent events have been evaluated through December 17, 2012, the date of the financial statements were available to be issued.

BURLINGTON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE B - CASH AND INVESTMENTS

Kentucky Revised Statute 66.480 authorizes the District to invest in the following with certain exceptions:

1. Obligations of the United States and of its agencies and instrumentalities.
2. Certificates of deposit.
3. Bankers' acceptances.
4. Commercial paper.
5. Bonds of this or other states or local governments.
6. Mutual funds.

Interest Rate Risk – In accordance with District policy, interest rate risk is limited by investing in only certificates of deposit with the highest rate of return and with the maximum security of principal. Investments are undertaken in a manner that seeks to ensure the preservation of capital in its portfolio.

Concentration of Credit Risk – The District has no policy which limits the concentration of credit risk.

Custodial Credit Risk – For deposits, this is the risk that, in the event of bank failure, the District's deposits will not be returned. The District maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository has pledged securities, in conjunction with the FDIC insurance, in an amount at least equal to the amount of District funds on deposit at all times.

Deposits in financial institutions, reported as components of cash and cash equivalents, had a bank balance of \$1,081,299 at June 30, 2012. Of this amount \$0 was exposed to custodial risk as it was insured by FDIC insurance and pledged collateral of the assets held at the Bank.

BURLINGTON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE C - CHANGE IN CAPITAL ASSETS

A summary of changes in capital assets follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 317,300	\$ -	\$ -	\$ 317,300
Construction in progress	-	7,500	-	7,500
Total capital assets, not being depreciated	317,300	7,500	-	324,800
Capital assets, being depreciated:				
Building and improvements	2,478,937	-	-	2,478,937
Land improvements	20,293	-	-	20,293
Equipment	1,187,460	31,988	-	1,219,448
Protective clothing	83,537	-	-	83,537
Vehicles	944,045	45,467	(36,676)	952,836
Total capital assets, being depreciated	4,714,272	77,455	(36,676)	4,755,051
Less accumulated depreciation:				
Building and improvements	556,134	62,638	-	618,772
Land improvements	13,341	1,064	-	14,405
Equipment	585,370	103,220	-	688,590
Protective clothing	70,475	9,220	-	79,695
Vehicles	763,070	38,822	(36,676)	765,216
Total accumulated depreciation	1,988,390	214,964	(36,676)	2,166,678
Total capital assets, being depreciated, net	2,725,882	(137,509)	-	2,588,373
Capital assets, net	<u>\$ 3,043,182</u>	<u>\$(130,009)</u>	<u>\$ -</u>	<u>\$ 2,913,173</u>

NOTE D - LONG-TERM DEBT

On September 19, 2001, the District entered into a lease agreement with Fifth Third Bank, Northern Kentucky, Inc. to provide financing in the amount of \$1,500,000 for acquiring, constructing, installing and equipping the new firehouse. The lease provides for an initial term beginning on September 19, 2001 and ending June 30, 2002, subject to automatic renewal on July 1 of each year, for a maximum of twenty-one years. The District made lease payments consisting of principal and interest on deferred principal payments at a rate of 4.55% until November 30, 2004 and, thereafter, made payments equal to 65% of Fifth-Third Bank's prime rate, as determined on December 1, 2004 and every three years thereafter through December 1, 2020. Variable rate as of June 30, 2012 is 2.1125%. Due to additional principal payments, the

BURLINGTON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

NOTE D - LONG-TERM DEBT – (continued)

lease will be paid off December 1, 2016. The cost for the related asset is \$2,466,627 and the accumulated depreciation is \$616,583 as of June 30, 2012.

The following is a summary of long-term capital lease transactions of the District for the year ended June 30, 2012:

	Beginning Balance July 1, 2011	Debt Incurred	Payments	Ending Balance June 30, 2012	Due Within One Year
Lease payable on firehouse	\$ 595,660	\$ -	\$(103,045)	\$ 492,615	\$ 105,411

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 are as follows:

Year ending June 30,	
2013	\$ 115,814
2014	115,814
2015	115,814
2016	115,814
2017	57,235
Total minimum lease payments	\$ 520,491
Less: amount representing interest	27,876
Present value of future minimum lease payments	\$ 492,615

Interest is calculated at 63% of prime rate.

NOTE E – DONATED SERVICES

The District does not record the donated services of volunteers.

NOTE F – DEFERRED COMPENSATION PLAN AND CERS PENSION PLAN

The District implemented a 401(k) plan beginning April 1, 2000. All full-time employees are eligible to participate after a 90-day probationary period. The District does not make contributions to this plan.

BURLINGTON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE F – DEFERRED COMPENSATION PLAN AND CERS PENSION PLAN – (continued)

County Employees Retirement System (CERS)

District employees who work at least 100 hours per month may participate in the County Employees Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS.

The plan issues separate financial statements, which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each county and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of the state legislature.

Non-hazardous Contributions – For the year ended June 30, 2012, plan members were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2012, participating employers contributed 18.96% of each employee's creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Hazardous Contributions – For the year ended June 30, 2012, plan members were required to contribute 8% or 9% of their creditable compensation depending on their hire date. The state was required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2012, participating employers contributed 35.76% of each employee's creditable compensation, determined by an actuary. Administrative costs of KRS are financed through employer contributions and investment earnings.

BURLINGTON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

NOTE F – DEFERRED COMPENSATION PLAN AND CERS PENSION PLAN – (continued)

The required contribution and the actual percentage contributed by the District for the current and prior year is as follows:

<u>Year</u>	<u>Contribution</u>	<u>Contributed</u>
2012	\$ 505,478	100%

The District joined the System in fiscal year 1999.

NOTE G – 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. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District’s insurance coverage in fiscal year 2012.

NOTE H – RECONCILIATION OF ENTITY-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund balance sheet and the entity-wide statement of net assets

The financial statement for the governmental fund balance sheet and statement of net assets includes an adjustments column representing the reconciliation between fund balances reported in the fund financial statement and net assets reported in the entity-wide statement. The details of the reconciling items are as follows:

When capital assets (land, buildings, and other capital assets) to be used in government activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the District as a whole.

Capital assets, not being depreciated	
Land	\$ 317,300
Construction in progress	7,500
Capital assets, at cost, net of accumulated depreciation	
Building and improvements	1,860,165
Land improvements	5,888
Equipment	534,700
Vehicles	187,620
	<u>\$ 2,913,173</u>

BURLINGTON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

**NOTE H – RECONCILIATION OF ENTITY-WIDE AND FUND FINANCIAL STATEMENTS –
(continued)**

Debt, and the related accrued interest, is not reported in the governmental funds, but is reported in the statement of net assets.

Debt due within one year	<u>\$ 105,411</u>
Debt due after one year	<u>\$ 387,204</u>
Accrued interest	<u>\$ 6,071</u>

Explanation of certain differences between the governmental fund statements of revenue, expenditures, and changes in fund balances and the entity-wide statements of activities

The financial statement for the governmental fund statement of revenues, expenditures, and changes in fund balance and the statement of activities includes an adjustment column representing the reconciliation between net changes in fund balance and changes in net assets reported in the entity-wide statement. The details of the reconciling items are as follows:

When capital assets to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, the fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

Depreciation	<u>\$ 214,964</u>
--------------	-------------------

Debt principal payments are shown as expenditures in the governmental funds statements.

Debt service principal	<u>\$ (103,045)</u>
------------------------	---------------------

BURLINGTON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

**NOTE H – RECONCILIATION OF ENTITY-WIDE AND FUND FINANCIAL STATEMENTS –
(continued)**

Interest is recognized as paid in the governmental funds statements. In the entity-wide statements, an accrual is made for interest to be paid

Change in interest accrual	<u>\$ (1,270)</u>
----------------------------	-------------------

Capital outlay is shown as an expenditure in the governmental funds statements.

Capital outlay	<u>\$ (84,955)</u>
----------------	--------------------

Gain on the disposal of assets is shown in the governmental funds statements.

Gain on disposal of asset	<u>\$ 40,000</u>
---------------------------	------------------

Proceeds from disposals is shown as an expenditure in the statement of activities statements.

Proceeds from disposals	<u>\$ (40,000)</u>
-------------------------	--------------------

NOTE I – FUND BALANCE REPORTING

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

1. *Nonspendable* fund balance includes amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
2. *Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. *Committed* fund balance classification includes amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint,

BURLINGTON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE I – FUND BALANCE REPORTING – (continued)

1. *Assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and
2. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

There are no policies that exist with regards to fund balances.

NOTE J - SUBSEQUENT EVENTS

Subsequent to year end, the District has applied for a Federal Emergency Management Agency (FEMA) grant to assist with the re-building of a retaining wall behind the firehouse. Due to ground settlement, weather and possible structural problems, the current wall needs to be rebuilt. The estimated cost of this retaining wall is \$149,000. The District will be responsible for payment of this wall regardless if they get a grant from FEMA.

NOTE K – CONTINGENCIES

The District is involved in various litigation matters. District management and legal counsel believe the District will prevail in all current legal actions.

REQUIRED SUPPLEMENTARY INFORMATION

BURLINGTON FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2012

	Budgetary Amounts		Actual	Variance
	Original	Final		Favorable
				(Unfavorable)
REVENUES				
Property taxes	\$2,588,114	\$ 2,588,114	\$ 2,635,089	\$ 46,975
Intergovernmental revenue	22,475	22,475	22,646	171
Interest	825	825	840	15
EMS billings	429,337	429,337	351,311	(78,026)
Incentive pay	74,400	74,400	71,584	(2,816)
Miscellaneous income	28,605	28,605	27,837	(768)
TOTAL REVENUES	3,143,756	3,143,756	3,109,307	(34,449)
EXPENDITURES				
Personnel services	2,572,616	2,572,616	2,630,877	(58,261)
Repairs and maintenance	45,000	42,000	47,153	(5,153)
Supplies and equipment	84,035	91,335	64,173	27,162
Administrative expenses	66,270	66,270	85,508	(19,238)
Utilities and heating supplies	35,155	35,155	28,387	6,768
Insurance	50,273	49,473	49,029	444
Training and continuing education	46,400	42,900	35,485	7,415
Fire prevention	1,100	1,100	3,356	(2,256)
Capital Outlay				
Equipment	135,000	135,000	84,955	50,045
Building improvements	107,872	107,872	-	107,872
Debt service				
Principal retirement	-	-	103,045	(103,045)
Interest	-	-	12,769	(12,769)
TOTAL EXPENDITURES	3,143,721	3,143,721	3,144,737	(1,016)
NET EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES	35	35	(35,430)	(35,465)
NET CHANGE IN FUND BALANCE	\$ 35	\$ 35	(35,430)	\$ (35,465)
OTHER FINANCING SOURCES				
Proceeds from disposals			40,000	
TOTAL OTHER FINANCING SOURCES			40,000	
NET CHANGES IN FUND BALANCE AND				
NET ASSETS			4,570	
FUND BALANCE, BEGINNING OF YEAR			1,048,161	
FUND BALANCE, END OF YEAR			\$ 1,052,731	



Anneken, Huey & Moser^{P.L.L.C.}

Certified Public Accountants

Engaged. Responsive. Future-focused.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of
Burlington Fire Protection District
Burlington, Kentucky

We have audited the financial statements of the governmental activities of Burlington Fire Protection District, as of and for the year ended June 30, 2012, which comprise the District's basic financial statements and have issued our report thereon dated December 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Burlington Fire Protection District, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Burlington Fire Protection District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, noted below, that we consider to be a significant deficiency in internal control over financial reporting. 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.

The District does not have sufficient, capable, expertise to prepare the footnote disclosures required in GAAP-basis financial statements.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Burlington Fire Protection District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the board, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Anneken, Huey & Moser, PLLC

ANNEKEN, HUEY & MOSER, PLLC

Ft. Wright, KY 41011

December 17, 2012