

BURLINGTON FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

BURLINGTON FIRE PROTECTION DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 from 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Burlington Fire Protection District, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

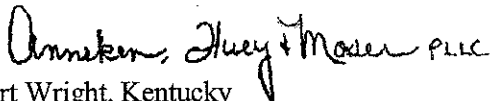
Other Matters

Required Supplementary Information

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 8 and page 23 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013 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* in considering Burlington Fire Protection District's internal control over financial reporting and compliance.



Fort Wright, Kentucky
November 25, 2013

**Burlington Fire Protection District
Management's Discussion and Analysis
For the year ended June 30, 2013**

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, 2013. 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 building debt principal by \$105,271 (21.4%) during the fiscal year ending June 30, 2013.
- The District entered into a lease agreement with Republic Bank for \$250,000 for retaining wall restoration expenses.
- In April 2013, the District received notification from the Geotechnical Engineer responsible for overseeing the retaining wall construction project that the project was complete and satisfactory. Federal Emergency Management Agency (FEMA) provided some of the funding for the retaining wall project. As of June 30, 2013, FEMA funds received totaled \$97,038.01.
- District Board actions regarding personnel within the fiscal year ending June 30, 2013, in accordance with Kentucky Revised Statute Chapter 75, resulted in unanticipated administrative expenses for legal services which were substantially higher than usual. The legal fees totaled \$41,350 for the fiscal year for all legal services. This represents \$34,850 more than budgeted for the fiscal year.
- The total net position of the District as of June 20, 2013 was \$3,520,914 reflecting a \$53,696 (1.5%) increase from the total net position of \$3,467,218 at June 30, 2012.

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 position presents information on all of the Burlington Fire Protection District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 position 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 \$3,520,914 at the close of the most recent fiscal year.

Condensed comparative data

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Total Assets	\$4,290,947	\$4,086,214
Capital assets	\$2,927,274	\$2,913,173
Total Liabilities	\$ 770,033	\$ 618,996
Long-term liabilities	\$ 518,595	\$ 387,204

Total Net Assets	\$3,520,914	\$3,467,218
Net investment in capital assets	\$2,289,930	\$2,420,558
Unrestricted	\$1,230,984	\$1,046,660

At the end of the current fiscal year, the Burlington Fire Protection District is able to report positive balances in total assets and total net position. There was an increase of \$184,324 in unrestricted net position 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 \$268,817 for the year ending June 30, 2013. These revenues totaled \$351,311 for the preceding fiscal year. This 23.5% decrease in revenues is due in part to the District's decision to change our EMS billing service contractor. During the transition which occurred in February 2013, a lag in revenues was created as insurance companies and payers established the new contractor as an authorized vendor in their payment systems. The District anticipates the EMS billing revenues to recover to budgeted revenues within the following 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 \$2,688,284 for the year ending June 30, 2013. These revenues totaled \$2,635,089 for the preceding fiscal year. Property tax revenue accounts for 84.7% of all revenue for the District. EMS billing revenue accounts for 8.5% of all revenues for the District.

Total Revenues

The total revenues for the Burlington Fire Protection District were \$3,173,344 as of June 30, 2013. The total revenues for the District as of June 30, 2012, were \$3,149,307. This increase is significantly attributed to an increase in intergovernmental revenues of \$96,838 which represents funds received from the Federal Emergency Management Agency for the retaining wall project. Property tax revenues increased by \$53,195 which helped offset the lower revenues in EMS billing by \$82,494. This revenue shortfall from EMS billing was greater than even conservative budget forecasts for the fiscal year ending June 30, 2013. All other revenue shortfalls totaled less than \$3,300. Offsetting these revenue shortfalls were property tax collections higher than expected resulting in a net revenue change from the previous fiscal year of only \$24,037.

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 \$2,556,611 accounting for 82.0% of all expenses as of June 30, 2013. This program expense decreased 2.8% over the period ending June 30, 2012, which totaled \$2,630,877. A significant portion of the decreased expense for personnel is a result of one Assistant Chief position vacated in October 2012, and left unfilled for the remainder of the fiscal year. The District's required contribution into the County Employee Retirement System (CERS) for all gross wages increased by 1.84% for hazardous duty personnel and increased by 0.59% for non-hazardous duty personnel over the preceding fiscal year.

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 5.8% or less of total expenses. The total expenses for the fiscal year ending June 30, 2013, as identified in the Statement of Activities were \$3,119,648. This was a decrease of 1.6% from the previous fiscal year with expenses of \$3,170,431. The largest increase in expenses was related to administrative expense which included unanticipated expenses for legal services for personnel actions which totaled \$41,350 for the fiscal year for all legal services, \$34,850 more than budgeted for the fiscal year. Administrative expenses also included software upgrades for proper licensing requirements in conjunction with the computer system replacement for fiscal year ending June 30, 2013.

Overall Analysis

The overall financial position for the Burlington Fire Protection District is strong but challenging. The budget for the year ending June 30, 2013, 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 expenses incurred for the year ending June 30, 2013, were still higher than budget estimates by \$195,771. The majority of the expense was from retaining wall construction related activity and the replacement of a failing phone and computer system for the District. Even with these expenses, the District prudently controlled other expenditures to within \$51,121 of budgeted expenditures before consideration of debt service and capital outlay. However, the total actual expenditures were 6.4% greater than the expenditures budgeted.

Fund Analysis

The Burlington Fire Protection District has a single governmental fund. The general fund balance increased by \$183,025 or 17.4% between fiscal years 2012 and 2013 to \$1,235,756 prior to adjustments reconciling net position reported in the entity-wide statement. Expenses increased by 3.0% to \$3,240,319. Revenues increased by \$64,037 or 2.1% to \$3,173,344. Tax rates were unchanged during the fiscal 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, with the new lease through Republic Bank and associated construction activity accounting for the variances.

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 \$2,927,274 for the year ending June 30, 2013. This represents a net total capital assets increase of \$14,101 from the preceding fiscal year. Capital assets being depreciated increased during the fiscal year ending June 30, 2013 with the majority of the increase attributed to land improvements related to the retaining wall restoration work.

At the year end the Burlington Fire Protection District had \$637,344 in long-term principal debt. This debt consists of a lease for the Firehouse with Fifth Third Bank and a new lease for retaining wall restoration with Republic Bank. The lease through Republic Bank was for construction expenses prior to grant funds being available to the District. Leases are being accounted for as purchases. The leases combined are an increase of 29.4% from the balance on June 30, 2012. More information concerning the long-term liabilities of the Burlington Fire Protection District can be found in the notes to the financial statements.

Subsequent events

Subsequent to year end, the District has received proposals and awarded the work to replace the damaged aerial ladder truck at an approximate construction cost of \$899,000.

The District is involved with various litigation matters that have continued from the fiscal year ending June 30, 2013. These matters are being handled by 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 POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2013

	<u>General Fund</u>	<u>Adjustments (Note H)</u>	<u>Statement of Net Position</u>
ASSETS			
Cash	\$ 1,255,050	\$ -	\$ 1,255,050
Tax receivable	37,873	-	37,873
EMS billing receivable	57,686	-	57,686
Prepaid items	13,064	-	13,064
Capital assets not being depreciated:			
Land	-	317,300	317,300
Construction in progress	-	-	-
Capital assets, net of accumulated depreciation	-	2,609,974	2,609,974
TOTAL ASSETS	<u>\$ 1,363,673</u>	<u>\$ 2,927,274</u>	<u>\$ 4,290,947</u>
LIABILITIES			
Accounts payable	\$ 80,809	\$ -	\$ 80,809
Accrued payroll and taxes	47,108	-	47,108
Accrued interest payable	-	4,772	4,772
Long-term debt			
Due within one year	-	118,749	118,749
Due after one year	-	518,595	518,595
TOTAL LIABILITIES	<u>127,917</u>	<u>642,116</u>	<u>770,033</u>
FUND BALANCES			
Nonspendable:			
Prepays	\$ 13,064	\$ (13,064)	
Assigned:			
Capital projects	348,291	(348,291)	
Unassigned	874,401	(874,401)	
TOTAL FUND BALANCES	<u>1,235,756</u>	<u>(1,235,756)</u>	
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,363,673</u>	<u>\$ (593,640)</u>	
NET POSITION			
Net investment in capital assets		\$ 2,289,930	\$ 2,289,930
Unrestricted		1,230,984	1,230,984
TOTAL NET POSITION		<u>\$ 3,520,914</u>	<u>\$ 3,520,914</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, 2013

	<u>General Fund</u>	<u>Adjustments (Note H)</u>	<u>Statement of Activities</u>
REVENUES			
Property taxes	\$2,688,284	\$ -	\$ 2,688,284
Intergovernmental revenue	119,484	-	119,484
Interest	634	-	634
EMS billings	268,817	-	268,817
Incentive pay	70,436	-	70,436
Miscellaneous income	25,689	-	25,689
TOTAL REVENUES	<u>3,173,344</u>	<u>-</u>	<u>3,173,344</u>
EXPENDITURES/EXPENSES			
Personnel services	2,556,611	-	2,556,611
Repairs and maintenance	51,409	-	51,409
Supplies and equipment	57,138	-	57,138
Administrative expenses	115,739	-	115,739
Utilities and heating supplies	27,975	-	27,975
Insurance	47,608	-	47,608
Training and continuing education	41,916	-	41,916
Fire prevention	496	-	496
Depreciation	-	210,122	210,122
Capital Outlay			
Equipment	38,100	(38,100)	-
Land improvements	186,123	(186,123)	-
Debt service:			
Principal retirement	105,271	(105,271)	-
Interest	11,933	(1,299)	10,634
TOTAL EXPENDITURES/EXPENSES	<u>3,240,319</u>	<u>(120,671)</u>	<u>3,119,648</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	<u>(66,975)</u>	<u>120,671</u>	<u>53,696</u>
OTHER FINANCING SOURCES			
Loan proceeds	250,000	(250,000)	-
TOTAL OTHER FINANCING SOURCES	<u>250,000</u>	<u>(250,000)</u>	<u>-</u>
NET CHANGES IN FUND BALANCE AND NET ASSETS	183,025	(129,329)	53,696
FUND BALANCES/NET POSITION, BEGINNING OF YEAR	<u>1,052,731</u>	<u>2,414,487</u>	<u>3,467,218</u>
FUND BALANCES/NET POSITION, AT END OF YEAR	<u>\$1,235,756</u>	<u>\$2,285,158</u>	<u>\$ 3,520,914</u>

See accompanying notes to financial statements.

BURLINGTON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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 position 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 position.

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, 2013

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, 2013

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 position. 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, 2013

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

Net Position

Net position is the difference between assets and liabilities. Net investment in capital assets 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 November 25, 2013, the date of the financial statements were available to be issued.

BURLINGTON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

Deferred Outflows of Resources

The District reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide statements of net position. No deferred outflows of resources affect the District in the current year.

Deferred Inflows of Resources

The District reports increases in net assets that related to future periods as deferred inflows of resources in a separate section of its government-wide statements of net position. No deferred inflows of resources affect the District in the current year.

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 \$1,271,714 at June 30, 2013. 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, 2013

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	324,800	-	(7,500)	317,300
Capital assets, being depreciated:				
Building and improvements	2,478,937	-	-	2,478,937
Land improvements	20,293	186,123	7,500	213,916
Equipment	1,219,448	38,100	-	1,257,548
Protective clothing	83,537	-	-	83,537
Vehicles	952,836	-	-	952,836
Total capital assets, being depreciated	4,755,051	224,223	7,500	4,986,774
Less accumulated depreciation:				
Building and improvements	618,772	62,638	-	681,410
Land improvements	14,405	3,921	-	18,326
Equipment	688,590	98,057	-	786,647
Protective clothing	79,695	3,842	-	83,537
Vehicles	765,216	41,664	-	806,880
Total accumulated depreciation	2,166,678	210,122	-	2,376,800
Total capital assets, being depreciated, net	2,588,373	14,101	7,500	2,609,974
Capital assets, net	<u>\$ 2,913,173</u>	<u>\$ 14,101</u>	<u>\$ -</u>	<u>\$ 2,927,274</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, makes 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, 2013 is 2.1125%. Due to additional principal payments, the

BURLINGTON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE D - LONG-TERM DEBT -- (continued)

lease will be paid off December 1, 2016. The cost for the related asset is \$2,422,654 and the accumulated depreciation is \$666,228 as of June 30, 2013.

In April of 2013, the District entered into a lease agreement with Republic Bank to provide financing in the amount of \$250,000 for the construction of a retaining wall behind the firehouse. The lease provides for an initial term beginning on April 10, 2013 and ending on April 10, 2023. The District will make lease payments consisting of principal and interest at a rate of 2.20%. The cost for the related asset is \$193,623 and the accumulated depreciation is \$2,858.

The following is a summary of long-term capital lease transactions of the District for the year ended June 30, 2013:

	Beginning Balance July 1, 2012	Debt Incurred	Payments	Ending Balance June 30, 2013	Due Within One Year
Lease payable on firehouse	\$ 492,615	\$ -	\$(105,271)	\$ 387,344	\$ 107,637
Lease payable on retaining wall	-	250,000	-	250,000	11,112
	<u>\$ 492,615</u>	<u>\$ 250,000</u>	<u>\$(105,271)</u>	<u>\$ 637,344</u>	<u>\$ 118,749</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013 are as follows:

Year ending June 30,	
2014	\$ 132,429
2015	137,639
2016	137,280
2017	78,317
2018	207,242
Total minimum lease payments	<u>\$ 692,907</u>
Less: amount representing interest	55,563
Present value of future minimum lease payments	<u>\$ 637,344</u>

Interest is calculated at 63% of prime rate.

BURLINGTON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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.

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, 2013, 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, 2013, participating employers contributed 19.55% 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, 2013, 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, 2013, participating employers contributed 37.60%

BURLINGTON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

of each employee’s creditable compensation, determined by an actuary. Administrative costs of KRS are financed through employer contributions and investment earnings.

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>
2013	\$ 515,285	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 2013.

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 position

The financial statement for the governmental fund balance sheet and statement of net position 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 position includes those capital assets among the assets of the District as a whole.

BURLINGTON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2013

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

Capital assets, not being depreciated	
Land	\$ 317,300
Construction in progress	-
Capital assets, at cost, net of accumulated depreciation	
Building and improvements	1,797,527
Land improvements	195,590
Equipment	470,901
Vehicles	145,956
	<u>\$ 2,927,274</u>

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

Debt due within one year	<u>\$ 118,749</u>
Debt due after one year	<u>\$ 518,595</u>
Accrued interest	<u>\$ 4,772</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 position 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>\$ 210,122</u>
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BURLINGTON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

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

Debt service principal	<u>\$ (105,271)</u>
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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>\$ (1,299)</u>
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Capital outlay is shown as an expenditure in the governmental funds statements.

Capital outlay	<u>\$ (224,223)</u>
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Loan proceeds are shown as an expenditure in the statement of activities statements.

Loan proceeds	<u>\$ (250,000)</u>
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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, 2013

NOTE I – FUND BALANCE REPORTING – (continued)

4. *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
5. *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 – 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, 2013

	Budgetary Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 2,595,558	\$ 2,595,558	\$ 2,688,284	\$ 92,726
Intergovernmental revenue	22,475	22,475	119,484	97,009
Interest	550	550	634	84
EMS billings	327,108	327,108	268,817	(58,291)
Incentive pay	71,299	71,299	70,436	(863)
Miscellaneous income	27,558	27,558	25,689	(1,869)
TOTAL REVENUES	3,044,548	3,044,548	3,173,344	128,796
EXPENDITURES				
Personnel services	2,640,625	2,640,625	2,556,611	84,014
Repairs and maintenance	41,600	41,600	51,409	(9,809)
Supplies and equipment	70,380	70,380	57,138	13,242
Administrative expenses	74,075	74,075	115,739	(41,664)
Utilities and heating supplies	34,850	34,850	27,975	6,875
Insurance	50,273	50,273	47,608	2,665
Training and continuing education	38,010	38,010	41,916	(3,906)
Fire prevention	200	200	496	(296)
Capital Outlay				
Equipment	-	-	38,100	(38,100)
Building improvements	94,535	94,535	186,123	(91,588)
Debt service				
Principal retirement	-	-	105,271	(105,271)
Interest	-	-	11,933	(11,933)
TOTAL EXPENDITURES	3,044,548	3,044,548	3,240,319	(195,771)
NET EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(66,975)	(66,975)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	(66,975)	\$ (66,975)
OTHER FINANCING SOURCES				
Loan proceeds			250,000	
TOTAL OTHER FINANCING SOURCES			250,000	
NET CHANGES IN FUND BALANCE AND NET POSITION			183,025	
FUND BALANCE, BEGINNING OF YEAR			1,052,731	
FUND BALANCE, END OF YEAR			\$ 1,235,756	



Anneken, Huey & Moser^{PLLC}

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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, in accordance with the 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, the financial statements of the governmental activities of Burlington Fire Protection District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which comprise the District's basic financial statements and have issued our report thereon dated November 25, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Burlington Fire Protection District internal control over financial reporting (internal control) to determine the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, as described below, that we consider to be significant deficiencies.

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

Condition: The District's system of internal control does not include controls related to the preparation of complete, external, entity-wide GAAP-basis, annual financial statements, including footnote disclosures.

Criteria: A complete system of internal control would extend to the annual financial statements prepared for external reporting purposes.

Effect: Annual financial statements prepared are currently only useful for internal reporting.

Recommendation: The District should consider whether the benefit derived from expanding the system of internal control exceeds the costs involved.

Auditee's Response: The District does not possess the audit and accounting skills necessary to prepare the footnotes disclosures required by entity-wide GAAP basis financial statements. The District believes the cost of acquiring such skills exceeds the benefit of doing so. The District has engaged Anneken, Huey & Moser, PLLC to draft the financial statements, supplementary information, and related notes. However, the District remains responsible for making all management decisions and performing all management functions relating to the financial statements, supplementary financial information, and related notes and for accepting full responsibility for such decisions. The District has acknowledged in the management representation letter that they have reviewed and approved the financial statements, supplementary financial information, and related notes prior to their issuance and have accepted responsibility for them. Further, the District has designated an individual with suitable skill, knowledge, or experience to oversee any such services provided and for evaluating the adequacy and results of those services and accepting responsibility for them.

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*.

Burlington Fire Protection District's Response to Findings

The District's response to the findings identified in our audit is described above. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anneken, Huey & Moser, PLLC

ANNEKEN, HUEY & MOSER, PLLC

Ft. Wright, KY 41011

November 25, 2013