

**BURLINGTON FIRE PROTECTION DISTRICT**

**FINANCIAL STATEMENTS**

For the Year Ended June 30, 2014



**BURLINGTON FIRE PROTECTION DISTRICT**

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# Anneken, Huey & Moser<sup>P.C.</sup>

Certified Public Accountants

*Engaged. Responsive. Future-focused.*

## 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 the Burlington Fire Protection District as of and for the year ended June 30, 2014, 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, 2014, 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 January 20, 2015 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.

*Anneken, Huey & Moser PLLC*

Fort Wright, Kentucky  
January 20, 2015

**Burlington Fire Protection District  
Management's Discussion and Analysis  
For the year ended June 30, 2014**

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, 2014. 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 debt principal by \$124,191 (19.5%) during the fiscal year ending June 30, 2014.
- The District received resignations at the start of the fiscal year from two full-time employees to accept offers of employment elsewhere subsequently creating staffing vacancies filled with part-time personnel during the full-time employee selection process. Part-time employees receive no employment benefits other than wages which resulted in \$112,412 less personnel services expense than anticipated for the year. The full time position vacancies were filled in February and June of 2014.
- The total net position of the District as of June 30, 2014 was \$3,930,186 reflecting a \$409,272 (11.6%) increase from the total net position of \$3,520,914 at June 30, 2013.
- The District Board adopted a tax rate increase for real estate in August, 2013, to generate additional revenues sufficient to address capital needs of the District. These capital needs included but were not limited to the replacement of the aerial ladder fire apparatus, replacement of personal protective equipment that reached the regulatory end of useful life, and make slight contributions to rainy day reserves to buffer impacts of prolonged or unexpected economic downturns.
- Bids were received and a contract to purchase an aerial ladder replacement apparatus from Spartan ERV was awarded for approximately \$899,000.
- The District's 1997 utility truck was replaced.

**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 \$3,930,186 at the close of the most recent fiscal year.

#### Condensed comparative data

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Total Assets	\$4,531,591	\$4,290,947
Capital assets	\$2,783,177	\$2,927,274

Total Liabilities	\$ 601,405	\$ 770,033
Long-term liabilities	\$ 386,574	\$ 518,595
 Total Net Assets	 \$3,930,186	 \$3,520,914
Net investment in capital assets	\$2,270,024	\$2,289,930
Unrestricted	\$1,660,162	\$1,230,984

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 \$429,178 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 including firefighting vehicles.

*Program revenues*

All programs within the Burlington Fire Protection District are directly linked to preventing emergencies, response preparation and training, 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 \$271,119 for the year ending June 30, 2014. These revenues totaled \$268,817 for the preceding fiscal year, representing a 0.8% increase in revenues. The District changed our EMS billing service contractor in February 2013, and it is not unusual to experience flat or reduced revenues during the transition process as insurance companies and payers established the new contractor as an authorized vendor in their payment systems. The District anticipated the EMS billing revenues to recover to budgeted revenues within this fiscal year and collections were only 5.4% less than budgeted for the fiscal year ending June 30, 2014.

*General revenues by major source*

The substantial revenue source for the Burlington Fire Protection District is comprised of property taxes. Property tax revenues totaled \$2,997,584 for the year ending June 30, 2014. These revenues totaled \$2,688,284 for the preceding fiscal year. Property tax revenue accounts for 88.5% of all revenue for the District. EMS billing revenue accounts for 8.0% of all revenues for the District.

*Total Revenues*

The total revenues for the Burlington Fire Protection District were \$3,385,364 as of June 30, 2014. The total revenues for the District as of June 30, 2013, were \$3,173,344. This increase is significantly attributed to the increase of the tax rate on real estate property from \$0.15 per \$100 of assessed value to \$0.17 per \$100 of assessed value. This rate change was anticipated to raise



\$273,100 in additional real estate tax revenue. The total of all types of property tax revenues increased \$309,300. Revenue shortfalls in EMS billing, state incentive pay and intergovernmental revenue were offset by property tax revenue growth for the fiscal year ending June 30, 2014.

#### *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 \$2,444,199 accounting for 82.1% of all expenses as of June 30, 2014. This program expense decreased 4.4% over the period ending June 30, 2013, which totaled \$2,556,611. A significant portion of the decreased expense for personnel is a result of two Firefighter/Paramedic positions vacated in June 2013, and filled with part-time personnel until full-time employees were selected and employed in February 2014 and June 2014. The District's required contribution into the County Employee Retirement System (CERS) for all gross wages decreased by 1.9% for hazardous duty personnel and decreased by 0.66% 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, administrative expenses, and supplies/equipment. Other expenses collectively accounted for 1.8% or less of total expenses. The total expenses for the fiscal year ending June 30, 2014, as identified in the Statement of Activities were \$2,976,092. This was a decrease of 4.6% from the previous fiscal year expenses of \$3,119,648. The largest increase in expenses was related to supplies and equipment which totaled only \$26,500 more than the previous fiscal year. Fire prevention expenses were also up significantly over the preceding fiscal year as the program increased the cache of supplies as part of a county-wide collective buying group to reduce costs and provide materials for school presentations and station tours and events.

#### Overall Analysis

The overall financial position for the Burlington Fire Protection District is strong. The budget for the year ending June 30, 2014, conservatively budgeted revenues to be less than actual revenues received for the previous fiscal year and amended the budget after the tax rate increase was implemented. Expenditures were controlled from the outset by remaining at or below anticipated revenues to maintain a balanced budget for the District. The District controlled expenditures within budget, reduced debt, and raised revenue for capital outlay in the near future. However, the total actual expenditures were 14.4% less than the expenditures budgeted.

### Fund Analysis

The Burlington Fire Protection District has a single governmental fund. The general fund balance increased by \$427,854 or 34.6% between fiscal years 2013 and 2014 to \$1,663,610 prior to adjustments reconciling net position reported in the entity-wide statement. Expenses decreased by 8.6% to \$2,960,710. Revenues increased by \$212,020 or 6.7% to \$3,385,364. Tax rate changes were limited to real estate rates only with all other tax rates remaining unchanged during the fiscal year. Real estate tax rates increased from \$0.15 to \$0.17 per \$100 of assessed value; all other tax rates for personal property remained unchanged at \$0.20 per \$100 of assessed valuation. Fire Protection Districts that provide Emergency Medical care and transport services, such as Burlington Fire Protection District, are authorized to have a maximum tax rate set at \$0.20 per \$100 of assessed valuation.

### Budget variances in the general fund

Budget adjustments were made at the April 2014 regularly scheduled board meeting for the fiscal year ending June 30, 2014. Budget adjustments included amended property tax revenues due to the increased tax rate; expenditure adjustments included personnel line items to reflect the use of part-time employees to fill full-time vacancies, and adjustments to reflect unanticipated repair and maintenance costs. The Board increased the amount of funds set aside for reserve and capital vehicle accounts to accommodate future capital purchasing needs.

### 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 \$2,783,177 for the year ending June 30, 2014. This represents a net total capital asset decrease of \$144,097 from the preceding fiscal year. However, the District's cash assets increased by \$396,876 resulting in an increased total asset position by \$240,644 over the preceding fiscal year. More information concerning the long-term capital assets of the Burlington Fire Protection District can be found in the notes to the financial statements under Note C.

As of June 30, 2014, the Burlington Fire Protection District had \$513,153 in long-term principal debt. This debt consists of a lease for the Firehouse with Fifth Third Bank and a lease for the retaining wall restoration with Republic Bank. Leases are being accounted for as purchases.

The lease debt decreased by 19.5% from the balance on June 30, 2013. More information concerning the long-term liabilities of the Burlington Fire Protection District can be found in the notes to the financial statements under Note D.

Subsequent events

Subsequent to year end, the District received proposals and awarded the financing for replacement of the approximately \$899,000 aerial ladder truck on a fixed interest rate, 10 year term.

The District is involved with various litigation matters that have continued from the fiscal year ending June 30, 2014. 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, 2014

	<u>General Fund</u>	<u>Adjustments (Note H)</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>			
Cash	\$ 1,651,926	\$ -	\$ 1,651,926
Tax receivable	40,164	-	40,164
EMS billing receivable	36,159	-	36,159
Prepaid items	20,165	-	20,165
Capital assets not being depreciated:			
Land	-	317,300	317,300
Capital assets, net of accumulated depreciation	-	2,465,877	2,465,877
<b>TOTAL ASSETS</b>	<u>\$ 1,748,414</u>	<u>\$ 2,783,177</u>	<u>\$ 4,531,591</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 59,396	\$ -	\$ 59,396
Accrued payroll and taxes	25,408	-	25,408
Accrued interest payable	-	3,448	3,448
Long-term debt			
Due within one year	-	126,579	126,579
Due after one year	-	386,574	386,574
<b>TOTAL LIABILITIES</b>	<u>84,804</u>	<u>516,601</u>	<u>601,405</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Prepays	\$ 20,165	\$ (20,165)	
Assigned:			
Capital projects	967,842	(967,842)	
Unassigned	675,603	(675,603)	
<b>TOTAL FUND BALANCES</b>	<u>1,663,610</u>	<u>(1,663,610)</u>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,748,414</u>	<u>\$ (1,147,009)</u>	
<b>NET POSITION</b>			
Net investment in capital assets		\$ 2,270,024	\$ 2,270,024
Unrestricted		1,660,162	1,660,162
<b>TOTAL NET POSITION</b>		<u>\$ 3,930,186</u>	<u>\$ 3,930,186</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, 2014

	<u>Fund</u>	<u>(Note H)</u>	<u>Activities</u>
<b>REVENUES</b>			
Property taxes	\$ 2,997,584	\$ -	\$ 2,997,584
Intergovernmental revenue	22,375	-	22,375
Interest	860	-	860
EMS billings	271,119	-	271,119
Incentive pay	65,934	-	65,934
Miscellaneous income	27,492	-	27,492
<b>TOTAL REVENUES</b>	<u>3,385,364</u>	<u>-</u>	<u>3,385,364</u>
<b>EXPENDITURES/EXPENSES</b>			
Personnel services	2,444,199	-	2,444,199
Repairs and maintenance	52,553	-	52,553
Supplies and equipment	83,638	-	83,638
Administrative expenses	70,801	-	70,801
Utilities and heating supplies	28,704	-	28,704
Insurance	45,036	-	45,036
Training and continuing education	46,820	-	46,820
Fire prevention	3,582	-	3,582
Loss on disposals	-	2,633	2,633
Depreciation	-	189,842	189,842
Capital Outlay			
Equipment and protective clothing	24,681	(24,681)	-
Vehicles	26,897	(26,897)	-
Debt service:			
Principal retirement	124,191	(124,191)	-
Interest	9,608	(1,324)	8,284
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>2,960,710</u>	<u>15,382</u>	<u>2,976,092</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES</b>	<u>424,654</u>	<u>(15,382)</u>	<u>409,272</u>
<b>OTHER FINANCING SOURCES</b>			
Proceeds from disposals	3,200	(3,200)	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>3,200</u>	<u>(3,200)</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCE AND NET ASSETS</b>	427,854	(18,582)	409,272
<b>FUND BALANCES/NET POSITION, BEGINNING OF YEAR</b>	<u>1,235,756</u>	<u>2,285,158</u>	<u>3,520,914</u>
<b>FUND BALANCES/NET POSITION, AT END OF YEAR</b>	<u>\$ 1,663,610</u>	<u>\$ 2,266,576</u>	<u>\$ 3,930,186</u>

See accompanying notes to financial statements.

**BURLINGTON FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The Burlington Fire Protection District is a governmental unit, which was formed in accordance with Kentucky Revised Statute 75. The District provides fire protection for the Burlington area located in Boone County, Kentucky.

The District is the primary, special purpose government responsible for all fire protection within its service areas. As a result, all significant activities have been included in the government-wide financial statements. The District's financial statements represent those of a stand-alone government, as there are not component units.

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 government-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.

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.

Basis of Accounting, Measurement Focus, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

**BURLINGTON FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

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

The government-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.

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.

Prepaid items

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

**BURLINGTON FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2014

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

Capital Assets

Capital assets are recorded at cost net of accumulated depreciation in the government-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 government-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, 2014

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

Net Position

Net position is the residual between the assets, deferred outflows of resources, deferred inflows of resources 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 \$0.17 per \$100 of valuation and tangible rate was \$0.20 per \$100 of valuation for the fiscal year ending June 30, 2014.

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 January 20, 2015 the date of the financial statements were available to be issued.

**BURLINGTON FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**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 \$1,688,853 at June 30, 2014. 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, 2014

**NOTE C - CHANGE IN CAPITAL ASSETS**

A summary of changes in capital assets follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 317,300	\$ -	\$ -	\$ 317,300
Capital assets, being depreciated:				
Building and improvements	2,478,937	-	-	2,478,937
Land improvements	213,916	-	-	213,916
Equipment	1,257,548	23,024	(10,000)	1,270,572
Protective clothing	83,537	1,657	-	85,194
Vehicles	952,836	26,897	(49,746)	929,987
Total capital assets, being depreciated	4,986,774	51,578	(59,746)	4,978,606
Less accumulated depreciation:				
Building and improvements	681,410	62,638	-	744,048
Land improvements	18,326	13,797	-	32,123
Equipment	786,647	70,260	(4,167)	852,740
Protective clothing	83,537	184	-	83,721
Vehicles	806,880	42,963	(49,746)	800,097
Total accumulated depreciation	2,376,800	189,842	(53,913)	2,512,729
Total capital assets, being depreciated, net	2,609,974	(138,264)	(5,833)	2,465,877
Capital assets, net	<u>\$ 2,927,274</u>	<u>\$ (138,264)</u>	<u>\$ (5,833)</u>	<u>\$ 2,783,177</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, 2014 is 2.1125%. Due to additional principal payments, the

**BURLINGTON FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**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 \$726,794 as of June 30, 2014.

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 \$15,766.

The following is a summary of long-term capital lease transactions of the District for the year ended June 30, 2014:

	<b>Beginning Balance</b>	<b>Debt Incurred</b>	<b>Payments</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Lease payable - firehouse	\$ 387,344	\$ -	\$ (107,524)	\$ 279,820	\$ 115,467
Lease payable - retaining wall	250,000	-	(16,667)	233,333	11,112
	<u>\$ 637,344</u>	<u>\$ -</u>	<u>\$ (124,191)</u>	<u>\$ 513,153</u>	<u>\$ 126,579</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014 are as follows:

<b>Year ending June 30,</b>	
2015	\$ 137,639
2016	137,280
2017	78,317
2018	20,710
2019	20,338
Thereafter	166,194
Total minimum lease payments	560,478
Less: amount representing interest	47,325
Present value of future minimum lease payments	<u>\$ 513,153</u>

**BURLINGTON FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**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, 2014, 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, 2014, participating employers contributed 18.89% 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, 2014, 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

**BURLINGTON FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2014

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

with actuarial bases adopted by the Board. For the year ended June 30, 2014, participating employers contributed 35.70% 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>
2014	\$ 485,297	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 2014.

**NOTE H – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Explanation of certain differences between the governmental fund balance sheet and the government-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 government-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, 2014

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

Capital assets, not being depreciated	
Land	\$ 317,300
Capital assets, at cost, net of accumulated depreciation	
Building and improvements	1,734,889
Land improvements	181,793
Equipment	419,305
Vehicles	129,890
	<u>\$ 2,783,177</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>\$ 126,579</u>
Debt due after one year	<u>\$ 386,574</u>
Accrued interest	<u>\$ 3,448</u>

Explanation of certain differences between the governmental fund statements of revenue, expenditures, and changes in fund balances and the government-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 government-wide statement. The details of the reconciling items are as follows:

Losses and gains from the disposal of assets are not reported in the governmental fund statement, but are reported in the government-wide statement of activities:

Loss on disposal of asset	<u>\$ 2,633</u>
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**BURLINGTON FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2014

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

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>\$ 189,842</u>
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Debt principal payments are shown as expenditures in the governmental funds statements.

Debt service principal	<u>\$ (124,191)</u>
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Interest is recognized as paid in the governmental funds statements. In the government-wide statements, an accrual is made for interest to be paid

Change in interest accrual	<u>\$ (1,324)</u>
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Capital outlay is shown as an expenditure in the governmental funds statements.

Capital outlay	<u>\$ (51,578)</u>
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Proceeds from disposals are shown as another financing source in the governmental funds statements.

Proceeds from disposals	<u>\$ (3,200)</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:



**BURLINGTON FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE I – FUND BALANCE REPORTING – (continued)**

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,
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.

**NOTE K – SUBSEQUENT EVENTS**

The District received proposals and awarded the financing for replacement of the approximately \$899,000 aerial ladder truck on a fixed interest rate over 10 years.

REQUIRED SUPPLEMENTARY INFORMATION

**BURLINGTON FIRE PROTECTION DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
For the Year Ended June 30, 2014

	<b>Budgetary Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		<b>Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Property taxes	\$2,629,878	\$ 2,899,239	\$ 2,997,584	\$ 98,345
Intergovernmental revenue	22,475	30,725	22,375	(8,350)
Interest	550	694	860	166
EMS billings	286,603	286,603	271,119	(15,484)
Incentive pay	96,754	96,754	65,934	(30,820)
Miscellaneous income	750	5,500	27,492	21,992
<b>TOTAL REVENUES</b>	<b>3,037,010</b>	<b>3,319,515</b>	<b>3,385,364</b>	<b>65,849</b>
<b>EXPENDITURES</b>				
Personnel services	2,584,393	2,532,421	2,444,199	88,222
Repairs and maintenance	54,928	66,228	52,553	13,675
Supplies and equipment	115,681	116,580	83,638	32,942
Administrative expenses	74,759	50,794	70,801	(20,007)
Utilities and heating supplies	34,350	34,350	28,704	5,646
Insurance	49,971	49,971	45,036	4,935
Reserve	-	120,000	-	120,000
Training and continuing education	50,730	50,730	46,820	3,910
Fire prevention	1,130	2,500	3,582	(1,082)
Capital Outlay				
Equipment and protective clothing	70,800	268,000	24,681	243,319
Vehicles	-	28,000	26,897	1,103
Debt service				
Principal retirement	124,667	124,667	124,191	476
Interest	13,480	13,480	9,608	3,872
<b>TOTAL EXPENDITURES</b>	<b>3,174,889</b>	<b>3,457,721</b>	<b>2,960,710</b>	<b>497,011</b>
<b>NET EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(137,879)</b>	<b>(138,206)</b>	<b>424,654</b>	<b>562,860</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(137,879)</b>	<b>(138,206)</b>	<b>424,654</b>	<b>562,860</b>
<b>OTHER FINANCING SOURCES</b>				
Loan proceeds	-	-	3,200	3,200
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>-</b>	<b>-</b>	<b>3,200</b>	<b>3,200</b>
<b>NET CHANGES IN FUND BALANCE AND NET POSITION</b>	<b>(137,879)</b>	<b>(138,206)</b>	<b>427,854</b>	<b>566,060</b>
FUND BALANCE, BEGINNING OF YEAR	746,641	1,066,641	1,235,756	169,115
FUND BALANCE, END OF YEAR	<u>\$ 608,762</u>	<u>\$ 928,435</u>	<u>\$ 1,663,610</u>	<u>\$ 735,175</u>



# Anneken, Huey & Moser<sup>PLC</sup>

Certified Public Accountants

*Engaged. Responsive. Future-focused.*

## INDEPENDENT AUDITOR'S 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, 2014, and the related notes to the financial statements, which comprise the District's basic financial statements and have issued our report thereon dated January 20, 2015.

### **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, government-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 government-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**

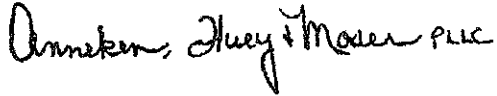
As part of obtaining reasonable assurance about whether Burlington Fire Protection District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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**

Ft. Wright, KY 41011

January 20, 2015