

**HEBRON FIRE PROTECTION DISTRICT**

**FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2014**



# HEBRON FIRE PROTECTION DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Trustees of  
Hebron Fire Protection District  
Hebron, Kentucky**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities of the Hebron 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 Hebron 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 6 and page 20 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 February 3, 2015 on our consideration of the Hebron 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 Hebron Fire Protection District's internal control over financial reporting and compliance.

*Annsken, Huey & Moser P.C.*

Fort Wright, Kentucky  
February 3, 2015



# **HEBRON**

## **Fire Protection District**

3120 North Bend Road • P.O. Box 24 • Hebron, Kentucky 41048 • (859) 586-9009

### **Management's Discussion and Analysis**

As management of the Hebron Fire Protection District, we offer readers of the Hebron Fire Protection District's financial statements this narrative overview and analysis of the financial activities of the Hebron Fire Protection District for the fiscal year ended June 30, 2014.

### **Financial Highlights**

- The assets of the Hebron Fire Protection District exceeded its liabilities at the close of the most recent fiscal year by \$7,880,610. Of this amount, \$4,983,158 may be used to meet the District's ongoing obligations.
- The District's total net position increased by \$363,009.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Hebron Fire Protection District's basic financial statements. The Hebron 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 Hebron Fire Protection District and the fund activity of the Governmental Fund. The Hebron Fire Protection District has a single governmental fund.

The column for the statement of net position presents information on all of the Hebron 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 Hebron 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 Hebron 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 Hebron Fire Protection District, assets exceeded liabilities by \$7,880,610 at the close of the most recent fiscal year.

### Net Position

	<b>Governmental-Type Activities</b>	
	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
Cash	\$ 3,783,920	\$ 3,523,828
Certificates of Deposits	1,161,288	1,156,982
Annuities	412,083	-
Accounts Receivable	43,889	179,650
Prepaid items	27,686	27,772
Capital assets, net of accumulated depreciation	2,897,452	3,118,408
<b>TOTAL ASSETS</b>	<b>\$ 8,326,318</b>	<b>\$ 8,006,640</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 26,396	\$ 93,132
Accrued payroll and taxes	82,664	70,468
Long term debt:		
Compensated absences	336,648	325,439
<b>TOTAL LIABILITIES</b>	<b>\$ 445,708</b>	<b>\$ 489,039</b>
<b>NET POSITION</b>		
Net investment in capital assets	\$ 2,897,452	\$ 3,118,408
Unrestricted	4,983,158	4,399,193
<b>TOTAL NET POSITION</b>	<b>\$ 7,880,610</b>	<b>\$ 7,517,601</b>

At the end of the current fiscal year, the Hebron Fire Protection District is able to report positive balances in both categories of net assets. The same holds true for prior year. There was an increase of \$583,965 in unrestricted net position reported in connection with the Hebron Fire Protection District's governmental activities. These amounts represent the various funds unrestricted for operations and ongoing capital needs.

Governmental activities increased the District's net assets by \$363,009. This increase is attributed to the level of tax revenue and grants received by the District and the maintenance of expenses at a controlled level. Even though revenues have decreased when compared to the previous fiscal year, the net change has increased due to ongoing revenues exceeding expenses.

### Changes in Net Position

	<b>Governmental-Type Activities</b>	
	<b>2014</b>	<b>2013</b>
<b>REVENUES</b>		
Tax revenue	\$ 4,541,235	\$ 4,572,187
Intergovernmental revenue	129,795	265,417
Charges for services	303,865	273,268
Miscellaneous income	2,443	3,014
Interest	21,903	11,609
Gain on disposals	1,710	-
<b>TOTAL REVENUES</b>	<b>5,000,951</b>	<b>5,125,495</b>
<b>EXPENSES</b>		
Current		
Operating expense	689,396	743,464
Payroll and employee benefits	3,948,546	3,893,363
<b>TOTAL EXPENSES</b>	<b>4,637,942</b>	<b>4,636,827</b>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>363,009</b>	<b>488,668</b>
<b>NET CHANGES IN NET POSITION</b>	<b>363,009</b>	<b>488,668</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>7,517,601</b>	<b>7,028,933</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 7,880,610</b>	<b>\$ 7,517,601</b>

The Statement of Activities reflects a \$363,009 excess of revenues over expenses. Depreciation in the amount of \$283,969 was included in the Statement of Activities. As stated above, this increase is attributed to the level of tax revenue and grants received by the District and the maintenance of expenses at a controlled level.

The tax rates remained unchanged from the prior year. The tax rate was \$0.122 per \$100 assessed valuation for real estate and \$0.122 per \$100 of assessed valuation for personal property. Fire Protection Districts with Emergency Medical Service Ambulances, like Hebron Fire Protection District, are authorized to have a tax rate as high as \$.20 per \$100 of assessed valuation.



## Capital Assets

The Hebron Fire Protection District's investment in capital assets for its governmental type activities as of June 30, 2014, amounted to \$6,196,990. This investment in capital assets includes land, buildings, improvements and fire, rescue and medical equipment. There was an increase of less than 1% in the total investment in capital assets for the current year.

	<u>2014</u>	<u>2013</u>
Apparatus	\$ 2,411,795	\$ 2,382,590
Building	2,871,607	2,871,607
Equipment	883,324	902,355
Furniture and Fixtures	30,264	27,548
	<u>\$ 6,196,990</u>	<u>\$ 6,184,100</u>

Additional information on the Hebron Fire Protection District's capital assets can be found in Note C.

## Long-term Debt

At the end of the 2014 fiscal year, the Hebron Fire Protection District had total debt outstanding of \$336,648. The District's debt accounted for an amount for compensated absences is in the long-term debt number.

	<u>2014</u>	<u>2013</u>
Compensated absences	\$ 336,648	\$ 325,439
	<u>\$ 336,648</u>	<u>\$ 325,439</u>

Additional information on the Hebron Fire Protection District long-term debt can be found in Note D.

## Budget

There were two changes to the original adopted budget. The budget was amended for; Department of Homeland Security Grant to purchase narrow band repeaters for Boone County Fire Radio Channel 1, and the purchase of a new Ford Expedition. This amendment increased the revenue by \$102,126 and the expenses by \$113,283.

Actual fiscal year revenues were more than budgeted amounts by \$314,147. Actual fiscal year expenditures were less than budgeted amounts by \$290,474. The actual net of actual revenues over expenditures from budget was \$604,621 for the fiscal year.

## Requests for Information

This financial report is designed to provide a general overview of the Hebron Fire Protection District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Hebron Fire Protection District at 3120 North Bend Road, Hebron, KY 41048.

**HEBRON FIRE PROTECTION DISTRICT**  
**STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET**  
 June 30, 2014

	<u>General Fund</u>	<u>Adjustments (Note G)</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>			
Cash	\$ 3,783,920	\$ -	\$ 3,783,920
Certificate of deposits	1,161,288	-	1,161,288
Annuities	412,083	-	412,083
Accounts receivable	43,889	-	43,889
Prepaid items	27,686	-	27,686
Capital assets, net of accumulated depreciation	-	2,897,452	2,897,452
<b>TOTAL ASSETS</b>	<u>\$ 5,428,866</u>	<u>\$ 2,897,452</u>	<u>\$ 8,326,318</u>
 <b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 26,396	\$ -	\$ 26,396
Accrued payroll and taxes	82,664	-	82,664
Long-term debt	-	336,648	336,648
Compensated absences	-	336,648	445,708
<b>TOTAL LIABILITIES</b>	<u>109,060</u>	<u>336,648</u>	<u>445,708</u>
 <b>FUND BALANCES</b>			
Nonspendable:			
Prepaid items	27,686	(27,686)	
Assigned:			
Capital projects	500,000	(500,000)	
Unassigned	4,792,120	(4,792,120)	
<b>TOTAL FUND BALANCES</b>	<u>5,319,806</u>	<u>(5,319,806)</u>	
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 5,428,866</u>	<u>\$ (4,983,158)</u>	
 <b>NET POSITION</b>			
Net investment in capital assets		2,897,452	2,897,452
Unrestricted		4,983,158	4,983,158
<b>TOTAL NET POSITION</b>		<u>\$ 7,880,610</u>	<u>\$ 7,880,610</u>

See accompanying notes to financial statements.

**HEBRON FIRE PROTECTION DISTRICT**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE/NET POSITION**  
For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Adjustments (Note G)</u>	<u>Statement of Activities</u>
<b>REVENUES</b>			
Tax revenue	\$ 4,541,235	\$ -	\$ 4,541,235
Intergovernmental revenue	129,795	-	129,795
Charges for services	303,865	-	303,865
Miscellaneous income	2,443	-	2,443
Interest	21,903	-	21,903
Gain on disposal	-	1,710	1,710
<b>TOTAL REVENUES</b>	<u>4,999,241</u>	<u>1,710</u>	<u>5,000,951</u>
<b>EXPENDITURES</b>			
Current			
Administrative expense	64,042	-	64,042
Personnel costs	3,937,337	11,209	3,948,546
Contracted services	231,852	-	231,852
Materials and supplies	109,533	-	109,533
Depreciation	-	283,969	283,969
Capital outlay:			
Building and equipment	63,013	(63,013)	-
<b>TOTAL EXPENDITURES</b>	<u>4,405,777</u>	<u>232,165</u>	<u>4,637,942</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	593,464	(230,455)	363,009
<b>OTHER FINANCING SOURCES</b>			
Proceeds from disposals	1,710	(1,710)	-
<b>TOTAL FROM OTHER FINANCING SOURCES</b>	<u>1,710</u>	<u>(1,710)</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCE AND NET POSITION</b>	595,174	(232,165)	363,009
<b>FUND BALANCE/NET POSITION, BEGINNING OF YEAR</b>	<u>4,724,632</u>	<u>2,792,969</u>	<u>7,517,601</u>
<b>FUND BALANCE/NET POSITION, END OF YEAR</b>	<u>\$ 5,319,806</u>	<u>\$ 2,560,804</u>	<u>\$ 7,880,610</u>

See accompanying notes to financial statements.

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

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

Reporting Entity

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

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 no component units.

The accounting policies of the Hebron Fire Protection District conform to generally accepted accounting principles as applicable to governmental units. 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 a 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.

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.

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

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

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 one-year 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 Directors may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenditures.

Revenue

The District's primary source of revenue is from property and franchise taxes levied by the District and collected by Boone County Sheriff's office. The portion payable to the District is then automatically deposited with the District. Property taxes are levied as of January 1 on property assessed as of the same date.

Prepaid items

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

Receivables

No allowance for doubtful accounts is required.

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 \$1,000. 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>
Apparatus	7-20
Building	30
Equipment	3-10
Furniture and fixtures	10

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

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

Income Tax Status

The District is exempt from federal income taxes under Section 501(c) (4) of the Internal Revenue Code.

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.

The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period. Payments of principal and interest are reported as expenditures.

Net Position

Net position is the residual between assets, deferred outflows of resources and liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt, are capital assets less accumulated depreciation, and any outstanding debt related to acquisition, construction, or improvement of those assets.

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

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.

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

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

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.

Subsequent Events

Subsequent events have been evaluated through February 3, 2015, the date the financial statements were available to be issued.

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 \$0.122 per \$100 of valuation and tangible rate was \$0.122 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.

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

**NOTE B - CASH AND INVESTMENTS**

Cash included demand deposits as well as certificates of deposit.

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. Certificate of deposit.
3. Bankers' acceptances.
4. Commercial paper.
5. Bonds of other states or local governments.
6. Mutual funds.

Investment Policy

The District's investment policy allows investments in the form of certificates of deposit at local banks and fixed index annuities guaranteed by life insurance companies, which offer the greatest interest rates. The policy falls within the guidelines of Kentucky Revised Statute 66.480.

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 a bank failure, the District's deposits may 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 the districts funds on deposit at all times.

Deposits in financial institutions, reported as components of cash and cash equivalents, had a bank balance of \$5,046,233 at June 30, 2014, that was insured by depository insurance or secured with collateral held by the financial institution in the District's name.



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

**NOTE C – CHANGE IN CAPITAL ASSETS**

A summary of changes in land, building and equipment follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Apparatus	\$ 2,382,590	\$ 50,537	\$ (21,332)	\$ 2,411,795
Building	2,871,607	-	-	2,871,607
Equipment	902,355	9,760	(28,791)	883,324
Furniture and fixtures	27,548	2,716	-	30,264
	<u>6,184,100</u>	<u>63,013</u>	<u>(50,123)</u>	<u>6,196,990</u>
Total capital assets, being depreciated				
Less accumulated depreciation:				
Apparatus	1,301,146	86,269	(21,332)	1,366,083
Building	1,217,740	97,626	-	1,315,366
Equipment	527,487	97,096	(28,791)	595,792
Furniture and fixtures	19,319	2,978	-	22,297
	<u>3,065,692</u>	<u>283,969</u>	<u>(50,123)</u>	<u>3,299,538</u>
Total accumulated depreciation				
Capital assets, net	<u>\$ 3,118,408</u>	<u>\$ (220,956)</u>	<u>\$ -</u>	<u>\$ 2,897,452</u>

**NOTE D - LONG-TERM DEBT**

The District allows employees to accumulate unused paid time off to a maximum of 2,080 hours and 2,880 hours for employees who are 40 and 56 Regular Full Time Employees (RFTE), respectively. Upon termination, accumulated sick leave is forfeited and any accumulated paid time off will be paid to the employee. As of June 30, 2014 the liability for accrued paid time off was \$336,648.

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

	<u>Beginning Balance July 1, 2013</u>	<u>Issued/ Addition</u>	<u>Retired</u>	<u>Ending Balance June 30, 2014</u>	<u>Due Within One Year</u>
Compensated absences	\$ 325,439	\$ 11,209	\$ -	\$ 336,648	\$ -
	<u>\$ 325,439</u>	<u>\$ 11,209</u>	<u>\$ -</u>	<u>\$ 336,648</u>	<u>\$ -</u>

**HEBRON 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 – EMPLOYEE RETIREMENT SYSTEM**

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 provision 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 (KRS), 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 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 basis 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 KRS are financed through employer contributions and investment earnings.

Hazardous Contributions – For the year ended June 30, 2014, plan members, who began participating in the plan before September 1, 2008, were required to contribute 8% of their creditable compensation. Those plan members, who began participating in the plan after September 1, 2008, were required to contribute 9% of their creditable compensation. 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 preceding the July 1 of a new biennium.

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

**NOTE F – EMPLOYEE RETIREMENT SYSTEM – (continued)**

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 basis adopted by the Board. For the year ended June 30, 2014, participating employers contributed 35.70% of each employee’s creditable compensation. 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 year are as follows:

<u>Year</u>	<u>Contribution</u>	<u>Contributed</u>
2014	\$ 799,242	100%

**NOTE G – 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 reconciliation between fund balances reported in the fund financial statement and net position reported in the government-wide statement. The details of the reconciling items are as follows:

When capital assets (land, buildings, and other capital assets) that are to be used in governmental 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.

Capital assets, being depreciated:	
Apparatus	\$ 2,411,795
Building	2,871,607
Equipment	883,324
Furniture and fixtures	30,264
Accumulated depreciation	<u>(3,299,538)</u>
Total capital assets, being depreciated	<u>\$ 2,897,452</u>

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

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

Compensated absences are not reported in the governmental funds, but are reported in the statement of net position.

Compensated absences	<u>\$ 336,648</u>
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Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The financial statement for the governmental fund statement of revenues, expenditures, and changes in fund balances and statement of activities includes an adjustments column representing a reconciliation between net changes in fund balances and changes in net position of reported in the government-wide statement. Details of the reconciling items are as follows:

When capital assets are 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, fund balance decreases by the amount of financial resources expended, whereas net position decrease by the amount of depreciation expense charged for the year.

Depreciation	<u>\$ 283,969</u>
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Changes in compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Payroll	<u>\$ 11,209</u>
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Capital outlay is shown as an expenditure in the governmental funds statement.

Capital outlay	<u>\$ (63,013)</u>
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Gain on disposal is shown as revenue on the statement of activities.

Gain on disposals	<u>\$ 1,710</u>
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**HEBRON FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

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

Proceeds from disposal are shown as another financing source in the governmental funds statements.

Proceeds from disposals	<u>\$ 1,710</u>
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**NOTE H – 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 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,
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.

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

**NOTE J – SUBSEQUENT EVENTS**

Subsequent to year end, the District entered into contracts to purchase two ambulances at an approximate total cost of \$375,000 and patient cots of \$67,000.

REQUIRED SUPPLEMENTARY INFORMATION

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

	<b>Budgetary Amounts</b>		<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Property and franchise taxes	\$ 4,148,563	\$ 4,148,563	\$ 4,541,235	\$ 392,672
Interest	10,000	10,000	21,903	11,903
EMS billings	285,584	285,584	303,865	18,281
Intergovernmental revenue	138,821	240,947	129,795	(111,152)
Miscellaneous income	-	-	2,443	2,443
<b>TOTAL REVENUES</b>	<u>4,582,968</u>	<u>4,685,094</u>	<u>4,999,241</u>	<u>314,147</u>
<b>EXPENDITURES</b>				
Administration	89,500	89,500	64,042	25,458
Personnel costs	4,087,696	4,087,696	3,937,335	150,361
Contracted services	261,322	261,322	231,854	29,468
Materials and supplies	144,450	144,450	109,533	34,917
Capital outlay:				
Building and equipment	-	113,283	63,013	50,270
<b>TOTAL EXPENDITURES</b>	<u>4,582,968</u>	<u>4,696,251</u>	<u>4,405,777</u>	<u>290,474</u>
<b>NET EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>\$ (11,157)</u>	593,464	<u>\$ 604,621</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from disposals			1,710	
<b>TOTAL FROM OTHER FINANCING SOURCES</b>			<u>1,710</u>	
<b>NET CHANGES IN FUND BALANCE AND NET POSITION</b>			595,174	
<b>FUND BALANCE/NET POSITION, BEGINNING OF YEAR</b>			<u>4,724,632</u>	
<b>FUND BALANCE/NET POSITION, END OF YEAR</b>			<u>\$ 5,319,806</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  
Hebron Fire Protection District**  
Hebron, 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 Hebron 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 February 3, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Hebron 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 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 financial statements or 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 Hebron 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*.

### **Hebron 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

February 3, 2015