

HEBRON FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

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, 2015, 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, 2015, 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.

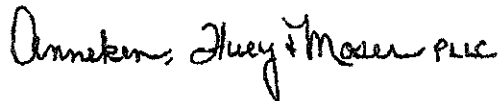
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate of share of the net pension liability and related ratios, schedule of required contributions, budgetary comparison schedule, and notes to required supplementary information on pages 3 through 7, page 37, page 38, page 39 and page 40, respectively, 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 22, 2016 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.



Fort Wright, Kentucky
February 22, 2016



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, 2015.

Financial Highlights

- The assets of the Hebron Fire Protection District exceeded its liabilities at the close of the most recent fiscal year by \$3,182,106. Of this amount, \$495,084 may be used to meet the District's ongoing obligations.
- The District's total net position decreased by \$4,698,504.

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 \$3,182,106 at the close of the most recent fiscal year.

Net Position

	Governmental-Type Activities	
	2015	2014
ASSETS		
Cash	\$ 3,994,656	\$ 3,783,920
Certificates of Deposits	1,163,816	1,161,288
Annuities	418,699	412,083
Accounts Receivable	295,636	43,889
Prepaid items	48,305	27,686
Capital assets, net of accumulated depreciation	2,690,381	2,897,452
TOTAL ASSETS	<u>\$ 8,611,493</u>	<u>\$ 8,326,318</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions subsequent to measurement date	\$ 804,487	\$ -
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 804,487</u>	<u>\$ -</u>

	Governmental-Type Activities	
	2015	2014
	<u> </u>	<u> </u>
LIABILITIES		
Accounts payable	\$ 6,191	\$ 26,396
Accrued payroll and taxes	26,496	82,664
Long term debt:		
Net pension liability	5,310,224	-
Compensated absences	367,599	336,648
TOTAL LIABILITIES	<u>\$ 5,710,510</u>	<u>\$ 445,708</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	\$ 523,364	\$ -
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 523,364</u>	<u>\$ -</u>
NET POSITION		
Net investment in capital assets	\$ 2,690,381	\$ 2,897,452
Unrestricted	491,725	4,983,158
TOTAL NET POSITION	<u>\$ 3,182,106</u>	<u>\$ 7,880,610</u>

At the end of the current fiscal year, the Hebron Fire Protection District is able to report positive balances in both categories of net position. The same holds true for prior year. There was a decrease of \$4,491,433 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. Also, the District implemented GASB Statement 68 this year. With the new reporting change, the District is allocated its proportionate share of the County Employees Retirement System net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased net position by \$5,133,864. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Hebron Fire Protection District's management.

Governmental activities increased the District's net assets by \$435,360. This increase is attributed to an increase in tax revenue, decrease in retirement expense due to the implementation of GASB Statement 68, and an overall maintenance of expenses at a controlled level.

Change in Net Position

	Governmental-Type Activities	
	2015	2014
REVENUES		
Tax revenue	\$ 4,581,607	\$ 4,541,235
Intergovernmental revenue	142,050	129,795
Charges for services	300,689	303,865
Miscellaneous income	1,273	2,443
Interest	15,176	21,903
Gain on disposals	-	1,710
TOTAL REVENUES	<u>5,040,795</u>	<u>5,000,951</u>
EXPENSES		
Current		
Operating expense	673,236	689,396
Payroll and employee benefits	3,932,199	3,948,546
TOTAL EXPENSES	<u>4,605,435</u>	<u>4,637,942</u>
EXCESS OF REVENUES OVER EXPENSES	<u>435,360</u>	<u>363,009</u>
NET CHANGES IN NET POSITION	435,360	363,009
NET POSITION, BEGINNING OF YEAR	7,880,610	7,517,601
PRIOR PERIOD ADJUSTMENT	(5,133,864)	-
NET POSITION, END OF YEAR	<u>\$ 3,182,106</u>	<u>\$ 7,880,610</u>

The Statement of Activities reflects a \$435,360 excess of revenues over expenses. Depreciation in the amount of \$293,504 was included in the Statement of Activities. As stated above, this increase is attributed to the level of tax revenue 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, 2015, amounted to \$6,274,962. This investment in capital assets includes land, buildings, improvements and fire, rescue and medical equipment. There was an increase of less than 1.5% in the total investment in capital assets for the current year.

	<u>2015</u>	<u>2014</u>
Apparatus	\$ 2,411,795	\$ 2,411,795
Building	2,879,941	2,871,607
Equipment	946,595	883,324
Furniture and Fixtures	36,631	30,264
Total	<u>\$ 6,274,962</u>	<u>\$ 6,196,990</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 2015 fiscal year, the Hebron Fire Protection District had total debt outstanding of \$5,646,872. The District's debt accounted for amounts for net pension liability and compensated absences in the long-term debt number.

	<u>2015</u>	<u>2014</u>
Net pension liability	\$ 5,310,224	\$ -
Compensated absences	336,648	325,439
	<u>\$ 5,646,872</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: the purchase of two new patient cots and delaying the purchase of a new ambulance until fiscal year 2016. This amendment decreased expenses by \$113,000.

Actual fiscal year revenues were more than budgeted amounts by \$336,813. Actual fiscal year expenditures were less than budgeted amounts by \$243,555. The actual net of actual revenues over expenditures from budget was \$580,368 for the fiscal year. The District expects the collection of property taxes, its major source of revenue, to increase next fiscal year. The District also expects an overall decrease in total expenses.

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, 2015

	<u>General Fund</u>	<u>Adjustments (Note F)</u>	<u>Statement of Net Position</u>
ASSETS			
Cash	\$ 3,994,656	\$ -	\$ 3,994,656
Certificate of deposits	1,163,816	-	1,163,816
Annuities	418,699	-	418,699
Accounts receivable	295,636	-	295,636
Prepaid items	48,305	-	48,305
Capital assets, net of accumulated depreciation	-	2,690,381	2,690,381
TOTAL ASSETS	<u>5,921,112</u>	<u>2,690,381</u>	<u>8,611,493</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date	-	804,487	804,487
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>804,487</u>	<u>804,487</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 5,921,112</u>	<u>\$ 3,494,868</u>	<u>\$ 9,415,980</u>
LIABILITIES			
Accounts payable	\$ 6,191	\$ -	\$ 6,191
Accrued payroll and taxes	26,496	-	26,496
Long-term obligations			
Net pension liability	-	5,310,224	5,310,224
Compensated absences	-	367,599	367,599
TOTAL LIABILITIES	<u>32,687</u>	<u>5,677,823</u>	<u>5,710,510</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	-	523,364	523,364
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>523,364</u>	<u>523,364</u>
FUND BALANCES			
Nonspendable:			
Prepaid items	48,305	(48,305)	
Assigned:			
Capital projects	500,000	(500,000)	
Unassigned	5,340,120	(5,340,120)	
TOTAL FUND BALANCES	<u>5,888,425</u>	<u>(5,888,425)</u>	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 5,921,112</u>	<u>\$ 312,762</u>	
NET POSITION			
Net investment in capital assets		\$ 2,690,381	\$ 2,690,381
Unrestricted		491,725	491,725
TOTAL NET POSITION		<u>\$ 3,182,106</u>	<u>\$ 3,182,106</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, 2015

	<u>General Fund</u>	<u>Adjustments (Note F)</u>	<u>Statement of Activities</u>
REVENUES			
Tax revenue	\$ 4,581,607	\$ -	\$ 4,581,607
Intergovernmental revenue	142,050	-	142,050
Charges for services	300,689	-	300,689
Miscellaneous income	1,273	-	1,273
Interest	15,176	-	15,176
TOTAL REVENUES	5,040,795	-	5,040,795
EXPENDITURES			
Current			
Administrative expense	72,949	-	72,949
Personnel costs	4,006,011	(73,812)	3,932,199
Contracted services	192,983	-	192,983
Loss on disposal	-	334	334
Materials and supplies	113,466	-	113,466
Depreciation	-	293,504	293,504
Capital outlay:			
Building and equipment	86,767	(86,767)	-
TOTAL EXPENDITURES	4,472,176	133,259	4,605,435
NET EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	568,619	(133,259)	435,360
FUND BALANCE/NET POSITION, BEGINNING OF YEAR	5,319,806	2,560,804	7,880,610
PRIOR PERIOD ADJUSTMENT	-	(5,133,864)	(5,133,864)
FUND BALANCE/NET POSITION, END OF YEAR	\$ 5,888,425	\$ (2,706,319)	\$ 3,182,106

See accompanying notes to financial statements.

HEBRON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015

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, 2015

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.

HEBRON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District has one item that meets these criteria, contributions made to the pension plan in the 2015 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section of deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District has one item that meets these criteria, deferrals of pension expense that result from the implementation of GASB Statement 68.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The District's employer contributions are recognized when due and the District has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the term of CERS. Investments are reported at fair value.

Subsequent Events

Subsequent events have been evaluated through February 22, 2016, 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, 2015.

HEBRON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

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.

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.

HEBRON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE B - CASH AND INVESTMENTS (continued)

Deposits in financial institutions, reported as components of cash and cash equivalents, had a bank balance of \$5,298,625 at June 30, 2015, that was insured by depository insurance or secured with collateral held by the financial institution in the District's name.

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	\$ 2,411,795	\$ -	\$ -	\$2,411,795
Building	2,871,607	8,334	-	2,879,941
Equipment	883,324	71,156	(7,885)	946,595
Furniture and fixtures	30,264	7,277	(910)	36,631
	<u>6,196,990</u>	<u>86,767</u>	<u>(8,795)</u>	<u>6,274,962</u>
Less accumulated depreciation:				
Apparatus	1,366,083	91,054	-	1,457,137
Building	1,315,366	98,070	-	1,413,436
Equipment	595,792	100,616	(7,885)	688,523
Furniture and fixtures	22,297	3,764	(576)	25,485
	<u>3,299,538</u>	<u>293,504</u>	<u>(8,461)</u>	<u>3,584,581</u>
Capital assets, net	<u>\$ 2,897,452</u>	<u>\$ (206,737)</u>	<u>\$ (334)</u>	<u>\$2,690,381</u>

NOTE D - LONG-TERM OBLIGATIONS

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, 2015 the liability for accrued paid time off was \$367,599.

With the new reporting changes, the District is allocated its proportionate share of the CERS net pension liability. As of June 30, 2015, the net pension liability was \$5,310,224.

HEBRON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE D - LONG-TERM OBLIGATIONS (continued)

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2015:

	Beginning Balance July 1, 2014 (restated)	Issued/ Addition	Retired	Ending Balance June 30, 2015	Due Within One Year
Net pension liability	5,931,389	-	621,165	5,310,224	
Compensated absences	336,648	30,951	-	367,599	-
	\$ 6,268,037	\$ 30,951	\$ 621,165	\$ 5,677,823	\$ -

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.

Benefits Provided – This schedule summarizes the major retirement benefit provisions of CERS included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions:

HEBRON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE F – EMPLOYEE RETIREMENT SYSTEM – (continued)

Plan Year: July 1 through June 30

Non-Hazardous Normal Retirement:

Members whose participation began before 8/1/2004

<i>Age Requirement</i>	65
<i>Service Requirement</i>	At least one month of non-hazardous duty service credit
<i>Amount</i>	If a member has at least 48 months of service, the monthly benefit is 2.20% multiplied by final average compensation, multiplied by years of service. Final compensation is calculated by taking the average of the highest five (5) fiscal years of salary. If the number of months of service credit during the five (5) year period is less than forty-eight (48), one (1) or more additional fiscal years shall be used. If a member has less than 48 months of service, the monthly benefit is the actuarial equivalent of two times the member's contributions with interest.

Members whose participation began on or after 8/1/2004, but before 9/1/2008

<i>Age Requirement</i>	65
<i>Service Requirement</i>	At least one month of non-hazardous duty service credit.
<i>Amount</i>	If a member has at least 48 months of service, the monthly benefit is 2.00% multiplied by final average compensation, multiplied by years of service.

HEBRON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE F – EMPLOYEE RETIREMENT SYSTEM – (continued)

Final compensation is calculated by taking the average of the highest five (5) fiscal years of salary. If the number of months of service credit during the five (5) year period is less than forty-eight (48), one (1) or more additional fiscal years shall be used.

If a member has less than 48 months of service, the monthly benefit is the actuarial equivalent of two times the member's contributions with interest.

Members whose participation began on or after 9/1/2008, but before 1/1/2014

Requirement

Age 65 with 60 months of non-hazardous duty service credit, or age 57 if age plus service equals at least 87.

Amount

The monthly benefit is the following benefit factor based on service credit at retirement plus 2.00% for each year of service greater than 30 years, multiplied by final average compensation, multiplied by years of service.

Service Credit	Benefit Factor
10 years or less	1.10%
10+ -20 years	1.30%
20+ -26 years	1.50%
26+ -30 years	1.75%

Final compensation is calculated by taking the average of the last (not highest) five (5) complete fiscal years of salary. Each fiscal year used to determine final compensation must contain twelve (12) months of service credit.

Members whose participation began on or after 1/1/2014

Requirement

Age 65 with 60 months of non-hazardous duty service credit, or age 57 if age plus service equals at least 87.

HEBRON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE F – EMPLOYEE RETIREMENT SYSTEM – (continued)

Amount

Each year that a member is an active contributing member to the System, the member and the member's employer will contribute 5.00% and 4.00% of creditable compensation respectively into a hypothetical account. This hypothetical account will earn interest annually on both the member's and employer's contribution at a minimum rate of 4%. If the System's geometric average net investment return for the previous five years exceeds 4%, then the hypothetical account will be credited with an additional amount of interest equal to 75% of the amount of the return which exceeds 4%. All interest credits will be applied to the hypothetical account balance on June 30 based on the account balance as of June 30 of the previous year.

Upon retirement the hypothetical account which includes member contributions, employer contributions and interest credits can be withdrawn from the System as a lump sum or annuitized into a single life annuity option.

Hazardous Normal Retirement:

Members whose participation began before 9/12/2008

Age Requirement

55

Service Requirement

At least one month of hazardous duty service credit

Amount

If a member has at least 60 months of service, the monthly benefit is 2.50% multiplied by final average compensation, multiplied by years of service.

Final compensation is calculated by taking the average of the highest three (3) fiscal years of salary. If the number of months of service credit during the three (3) year period is less than twenty-four (24), one (1) or more additional fiscal years shall be used.

HEBRON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE F – EMPLOYEE RETIREMENT SYSTEM – (continued)

If a member has less than 60 months of service, the monthly benefit is the actuarial equivalent of two times the member's contributions with interest.

Members whose participation began on or after 9/1/2008, but before 1/2/2014

Age Requirement 60

Service Requirement At least 60 months of hazardous duty service credit

Amount \ The monthly benefit is the following benefit factor based on service credit at retirement, multiplied by final average compensation, multiplied by years of service.

Service Credit	Benefit Factor
10 years or less	1.30%
10+ -20 years	1.50%
20+ -26 years	2.25%
26+ -30 years	2.50%

Final compensation is calculated by taking the average of the highest three (3) complete fiscal years of salary. Each fiscal year used to determine final compensation must contain twelve (12) months of service credit.

Members whose participation began on or after 1/1/2014

Age Requirement 60

Service Requirement At least 60 months of hazardous duty service credit or 25 or more years of service, with no age requirement

HEBRON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE F – EMPLOYEE RETIREMENT SYSTEM – (continued)

Amount

Each year that a member is an active contributing member to the System, the member and the member's employer will contribute 8.00% and 7.50% of creditable compensation respectively into a hypothetical account. This hypothetical account will earn interest annually on both the member's and employer's contribution at a minimum rate of 4%. If the System's geometric average net investment return for the previous five years exceeds 4%, then the hypothetical account will be credited with an additional amount of interest equal to 75% of the amount of the return which exceeds 4%. All interest credits will be applied to the hypothetical account balance on June 30 based on the account balance as of June 30 of the previous year.

Upon retirement the hypothetical account which includes member contributions, employer contributions and interest credits can be withdrawn from the System as a lump sum or annuitized into a single life annuity option.

Non-Hazardous Early Retirement:

*Members whose participation
began before 9/1/2008*

Requirement

Age 55 with 60 months of service or any age with 25 years of service.

Amount

Normal retirement benefit reduced by 6.5% per year for the first five years and 4.5% per year for the next five years for each year the member is younger than age 65 or has less than 27 years of service, whichever is smaller.

HEBRON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE F – EMPLOYEE RETIREMENT SYSTEM – (continued)

*Members whose participation
began on or after 9/1/2008, but
before 1/1/2014*

Requirement

Age 60 with 10 years of service.

Amount

Normal retirement benefit reduced by 6.5% per year for the first five years and 4.5% per year for the next five years for each year the member is younger than age 65, or does not meet the rule of 87 (age plus service) and is younger than age 57, whichever is smaller.

Hazardous Early Retirement:

*Members whose participation
began before 9/1/2008*

Requirement

Age 50 with 15 years of service or any age with 20 years service.

Amount

Normal retirement benefit reduced by 6.5% per year for the first five years and 4.5% per year for the next five years for each year the member is younger than age 55 or has less than 20 years service, whichever is smaller.

*Members whose participation
began on or after 9/1/2008, but
before 1/1/2014*

Requirement

Age 50 with 15 years of service or any age with 25 years service.

Amount

Normal retirement benefit reduced by 6.5% per year for the first five years and 4.5% per year for the next five years for each year the member is younger than age 60 or has less than 25 years service, whichever is smaller.

HEBRON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE F – EMPLOYEE RETIREMENT SYSTEM – (continued)

Non-Hazardous Disability:

<i>Age Requirement</i>	None
<i>Service Requirement</i>	60 months

Members whose participation began before 8/1/2004

Normal retirement benefit except that service credit will be added to total service for the period from the last day of plan employment to the member's 65th birthday or until the combined total service as of the last day of paid employment and added service equals 25 years. The total amount of service credit added shall not exceed the member's actual service credit on the last day of paid employment. For members with at least 25 years of service but less than 27 years of service, total service shall be 27 years. For employees with 27 or more years of service credit, actual service credit will be used.

Non-Hazardous Disability:

A contributing member in a non-hazardous position who is disabled in the line of duty is entitled to a retirement benefit of not less than 25% of the member's final monthly rate of pay plus 10% of the member's final monthly rate of pay for each dependent child. The maximum dependent child's benefit is 40% of the member's final monthly rate of pay.

Members whose participation began on or after 9/1/2008, but before 1/1/2014

Normal retirement benefit based on actual service with no penalty or, if larger, 20% of the Final Rate of Pay. May apply for disability even after normal retirement age.

HEBRON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE F – EMPLOYEE RETIREMENT SYSTEM – (continued)

*Members whose participation
began on or after 1/1/2014*

The hypothetical account which includes member contributions, employer contributions and interest credits can be withdrawn from the System as a lump sum or an annuity equal to the larger of 20% of the member's monthly final rate of pay or the annuitized hypothetical account into a single life annuity option.

Hazardous Disability:

Age Requirement

None

Service Requirement

60 months (waived if in line of duty disability)

*Members whose participation
began before 8/1/2004*

Normal retirement benefit except if the member's total service credit is less than 20 years, service credit will be added for the period from the last day of paid employment to the member's 55th birthday.

The maximum service credit added will not exceed the total service the member had on this last day of paid employment and the maximum service credit for calculating his retirement allowance, including total service and service added will not exceed 20 years. May not apply if eligible for an unreduced retirement allowance.

A member in a hazardous position who is disabled in the line of duty is entitled to the normal retirement benefit based on years of service and final compensation determined as of the date of disability (no penalty), except that the monthly retirement allowance payable shall not be less than 25% of the member's monthly final monthly rate of pay. Each dependent child shall receive 10% of the disabled member's monthly final rate of pay; however the total maximum dependent children's benefit shall not exceed 40% of the member's monthly final rate of pay.

HEBRON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE F – EMPLOYEE RETIREMENT SYSTEM – (continued)

Members whose participation began on or after 8/1/2004, but before 1/1/2014

Normal retirement benefit based on years of service and final compensation determined as of the date of disability (no penalty) or, if larger, 25% of the member's monthly final rate of pay may apply for disability even after normal retirement age.

Members whose participation began on or after 1/1/2014

The hypothetical account which includes member contributions, employer contributions and interest credits can be withdrawn from the System as a lump sum or an annuity equal to the larger of 25% of the member's monthly final rate of pay or the annuitized hypothetical account into a single life annuity option.

Vesting:

Members whose participation began before 9/1/2008

Age Requirement

None

Service Requirement

60 months. Service purchased after August 1, 2004 does not count toward vesting insurance benefits. Service purchased by employees who began participating on or after August 1, 2004 does not count toward vesting retirement benefits. Recontribution of refunds and omitted service purchases are the exception to this rule for service requirement.

Amount

Normal retirement benefit deferred to normal retirement age or reduced benefit payable at early retirement age.

Normal Retirement Age

65 for non-hazardous members and 55 for hazardous members.

HEBRON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE F – EMPLOYEE RETIREMENT SYSTEM – (continued)

Members whose participation began on or after 9/1/2008 but before 1/1/2014 Age Requirement

None

Service Requirement

60 months. Service purchased after August 1, 2004 does not count toward vesting insurance benefits.

Service purchased by employees who began participating on or after August 1, 2004 does not count toward vesting retirement benefits. Recontribution of refunds and omitted service purchases are the exception to this rule for service requirement.

Amount

Normal retirement benefit deferred to normal retirement age or reduced benefit payable at early retirement age.

Normal Retirement Age

65 for non-hazardous members and 60 for hazardous members.

Members whose participation began on or after 1/1/2014

Age Requirement

None

Service Requirement

60 months.

Amount

Upon termination the hypothetical account which includes member contributions, employer contributions and interest credits can be withdrawn from the System as a lump sum or the member can elect to leave the hypothetical account balance in the System. If the member does not withdraw the account balance, it will continue to earn 4% interest. Upon reaching normal retirement age the member can apply for retirement and receive the account balance as a lump sum payment or annuitize the account balance into a single life annuity.

HEBRON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE F – EMPLOYEE RETIREMENT SYSTEM – (continued)

Pre-Retirement Death Benefit (not in line of duty):

*Members whose participation
began before 1/1/2014*

Requirement Eligible for Normal or Early Retirement, or any age in active employment with 60 months service, or any age and not in active employment with at least 144 months of service.

Amount Benefit equal to the benefit the member would have received had the member retired on the day before the date of death and elected a 100% joint and survivor form. Benefit is actuarially reduced if member is less than normal retirement age at the date of death.

*Members whose participation
began on or after 1/1/2014*

Requirement 60 months service

Amount The maximum of the benefit equal to the benefit the member would have received had the member retired on the day before the date of death.

Spouse's Pre-Retirement Death Benefit (in line of duty):

Requirement None

Amount The spouse may choose (1) a \$10,000 lump sum payment and monthly payments of 25% of the member's final monthly rate of pay or (2) benefit options offered under death not in line of duty.

Dependent Non-Spouse's Death Benefit (in line of duty) – Hazardous Plan:

Requirement None

Amount The non-spouse may choose (1) a \$10,000 lump sum payment or (2) benefit options offered under death not in line of duty.

HEBRON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE F – EMPLOYEE RETIREMENT SYSTEM – (continued)

Dependent Child's Death Benefit (in line of duty):

<i>Requirement</i>	None
<i>Amount</i>	10% of member's final monthly rate of pay. Dependent child payments cannot exceed 40% of the member's monthly final rate of pay.

Post-Retirement Death Benefit:

<i>Requirement</i>	Retired member in receipt of monthly benefit based on at least 48 months or more of combined service with KERS, CERS or SPRS.
<i>Amount</i>	\$5,000

Non-Hazardous Member Contributions:

<i>Members whose participation began before 9/1/2008</i>	5% of all creditable compensation. Interest paid on the members' accounts is currently 2.5% shall not be less than 2.0%. Member entitled to a full refund of contributions with interest.
<i>Members whose participation began on or after 9/1/2008</i>	6% of all creditable compensation, with 5% being credited to the member's account and 1% deposited to the KRS 401(h) Account. Interest paid on the members' accounts will be set at 2.5%. Member entitled to a full refund of contributions and interest in their individual account, however, the 1% contributed to the insurance fund is non-refundable
<i>Members whose participation began on or after 1/1/2014</i>	6% of all creditable compensation, with 5% being credited to the member's account and 1% deposited to the KRS 401(h) Account. Member entitled to a full refund of contributions and interest on the member's portion of the hypothetical account, however, the 1% contributed to the insurance fund is non-refundable.

HEBRON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE F – EMPLOYEE RETIREMENT SYSTEM – (continued)

Hazardous Member Contributions:

Members whose participation began before 9/1/2008

8% of all creditable compensation. Interest paid on the members' accounts is currently 2.5% shall not be less than 2.0%. Member entitled to a full refund of contributions with interest.

Members whose participation began on or after 9/1/2008

9% of all creditable compensation, with 8% being credited to the member's account and 1% deposited to the KRS 401(h) Account. Interest paid on the members' accounts will be set at 2.5%. Member entitled to a full refund of contributions and interest in their individual account, however, the 1% contributed to the insurance fund is non-refundable.

Members whose participation began on or after 1/1/2014

9% of all creditable compensation, with 8% being credited to the member's account and 1% deposited to the KRS 401(h) Account. Member entitled to a full refund of contributions and interest on the member's portion of the hypothetical account, however, the 1% contributed to the insurance fund is non-refundable.

The actuarially determined contribution rates are determined on biennial basis beginning with the fiscal years ended 2014 and 2015, determined as of July 1, 2013. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported on that schedule:

Method and assumptions used to calculate contributions

Actuarial cost method	Entry age
Amortization cost method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	3.5 percent
Salary increase	4.5 percent, average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

HEBRON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE F – EMPLOYEE RETIREMENT SYSTEM – (continued)

Non-hazardous Contributions – For the year ended June 30, 2015, plan members were required to contribute 5% or 6% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. For the year ended June 30, 2015, participating employers contributed 17.67% 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, 2015, plan members were required to contribute 8% or 9% of their creditable compensation depending on their date of hire. The state was required to contribute at an actuarially determined rate. For the year ended June 30, 2015, participating employers contributed 34.31% of each employee’s creditable compensation, determined by an actuary. Administrative costs of KRS are financed through employer contributions and investment earnings. Contributions to the pension plan from the District were \$804,487 for the year ended June 30, 2015.

At June 30, 2015, the District reported a liability of \$5,310,224 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating CERS employers, actuarially determined. At June 30, 2014, the District’s proportion was 0.002587% for non-hazardous and 0.434862% for hazardous.

For the year ended June 30, 2015, the District recognized pension expense of \$699,724. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Hazardous		Non-Hazardous	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ -
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on plan investments	-	513,994	-	9,370
Employer contributions subsequent to the Measurement Date	793,177	-	11,310	-
Total	\$ 793,177	\$ 513,994	\$ 11,310	\$ 9,370

HEBRON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE F – EMPLOYEE RETIREMENT SYSTEM – (continued)

\$804,487 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a decrease in net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Inflows of Resources to be recognized in Fiscal Years Following the Reporting Date	
	Hazardous	Non-Hazardous
Year ended June 30:		
2016	\$(128,499)	\$ (2,343)
2017	(128,499)	(2,343)
2018	(128,499)	(2,343)
2019	(128,499)	(2,343)

Actuarial Assumptions -- The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions

Inflation	3.5 percent
Salary increases	4.5 percent, average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward 5 years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2008.

HEBRON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE F – EMPLOYEE RETIREMENT SYSTEM – (continued)

Long-term Rate of Return – The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the CERS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful if setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	30%	8.45%
International equity	22	8.85
Emerging Market Equity	5	10.50
Private Equity	7	1.25
Real Estate	5	7.00
Core U.S. Fixed Income	10	5.25
High Yield U.S. Fixed Income	5	7.25
Non-U.S. Fixed Income	5	5.50
Commodities	5	7.75
TIPS	5	5.00
Cash	1	3.25
Total	<u>100%</u>	

Discount Rate – the discount used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 29 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

HEBRON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE F – EMPLOYEE RETIREMENT SYSTEM – (continued)

Sensitivity Analysis – The following presents the net pension liability of the District, calculated using the discount rate of percent, as well as what the District’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate for non-hazardous and hazardous:

	1% Decrease 6.75%	Hazardous Current Discount Rate 7.75%	1% Increase 8.75%
District's net pension liability	6,836,805	5,226,286	3,858,813

	1% Decrease 6.75%	Non-Hazardous Current Discount Rate 7.75%	1% Increase 8.75%
District's net pension liability	110,449	83,938	60,504

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued Schedules of Employer Allocations and Pension Amounts by Employer for the KRS.

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.

HEBRON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

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

Capital assets, being depreciated:

Apparatus	\$ 2,411,795
Building	2,879,941
Equipment	946,595
Furniture and fixtures	36,631
Accumulated depreciation	<u>(3,584,581)</u>

Total capital assets, being depreciated	<u>\$ 2,690,381</u>
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Deferred outflows of resources are not reported in the governmental funds, but are reported in the statement of net position.

Deferred outflows of resources	<u>\$ 804,487</u>
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Compensated absences are not reported in the governmental funds, but are reported in the statement of net position.

Compensated absences	<u>\$ 367,599</u>
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Net pension liability and deferred inflows of resources are not reported in the governmental funds, but are reported in the statement of net position.

Net pension liability	<u>\$ 5,310,224</u>
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Deferred inflows of resources	<u>\$ 523,364</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:

HEBRON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

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

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>\$ 293,504</u>
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Changes in compensated absences and net pension liability do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Payroll	\$ 30,951
Retirement expense	<u>(104,763)</u>
	<u>\$ (73,812)</u>

Capital outlay is shown as expenditure in the governmental funds statement.

Capital outlay	<u>\$ (86,767)</u>
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Loss on disposal is shown as expenditure on the statement of activities.

Loss on disposals	<u>\$ 334</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 2015.

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.

HEBRON FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE I – FUND BALANCE REPORTING (continued)

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.

NOTE J – CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The District implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the District to record beginning net pension liability and the effects on the net position of contributions made by the District during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental activities decreased by \$5,133,864.

REQUIRED SUPPLEMENTARY INFORMATION

HEBRON FIRE PROTECTION DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2015

	Hazardous		Non-Hazardous	
	2015*	2014*	2015*	2014*
District's proportion of the net pension liability (%)	0.434862%	0.434862%	0.002587%	0.002587%
District's proportion of the net pension liability (\$)	\$ 5,226,286	\$ 5,836,411	\$ 83,938	\$ 94,978
District's covered-employee payroll	\$ 2,217,629	\$ 2,173,827	\$ 59,354	\$ 59,431
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	235.67%	268.49%	141.42%	159.81%
Plan fiduciary net position as a percentage of the total pension liability**	63.46%	57.74%	66.80%	61.22%

*The amounts presented were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the CERS plan.

HEBRON FIRE PROTECTION DISTRICT
SCHEDULE OF REQUIRED CONTRIBUTIONS
 June 30, 2015

	Hazardous		Non-Hazardous	
	2015	2014	2015	2014
Contractually required contribution	\$ 793,177	\$ 690,182	\$ 11,310	\$ 11,212
Contributions in relation to the contractually required contribution	<u>793,177</u>	<u>690,182</u>	<u>11,310</u>	<u>11,212</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,370,187	\$ 2,217,629	\$ 62,814	\$ 59,354
Contributions as a percentage of covered-employee payroll	33.46%	31.12%	18.01%	18.89%

HEBRON FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE
June 30, 2015

	Budgetary Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property and franchise taxes	\$ 4,248,092	\$ 4,248,092	\$ 4,581,607	\$ 333,515
Interest	19,000	\$ 19,000	15,176	(3,824)
EMS billings	299,200	\$ 299,200	300,689	1,489
Intergovernmental revenue	141,049	\$ 141,049	142,050	1,001
Miscellaneous income	-	-	1,273	1,273
TOTAL REVENUES	4,707,341	4,707,341	5,040,795	333,454
EXPENDITURES				
Administration	89,500	89,500	72,949	16,551
Personnel costs	4,109,750	4,109,750	4,006,011	103,739
Contracted services	260,100	260,100	192,983	67,117
Materials and supplies	142,870	142,870	113,466	29,404
Capital outlay:				
Building and equipment	293,262	113,511	86,767	26,744
TOTAL EXPENDITURES	4,895,482	4,715,731	4,472,176	243,555
NET EXCESS OF REVENUES OVER EXPENDITURES	\$ (188,141)	\$ (8,390)	568,619	\$ 577,009
FUND BALANCE/NET POSITION, BEGINNING OF YEAR			<u>5,319,806</u>	
FUND BALANCE/NET POSITION, END OF YEAR			<u>\$ 5,888,425</u>	

BURLINGTON FIRE PROTECTION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

Changes of benefit terms – The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tiered Structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

2014: A cash balance plan was introduced for member whose participation date is on or after January 1, 2014

Changes of assumption – The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2006: The assumptions were updated as the result of an experience study for the five year period ending June 30, 2005.

2007: Amortization bases have been combined and will be amortized over a single 30 year closed period beginning June 30, 2007.

2009: The assumptions were updated as the result of an experience study for the three year period ending June 30, 2008.

2013: The amortization period of the unfunded accrued liability was reset to a closed 30 year period.

Method of assumptions used in the calculation of actuarially determined contributions – The actuarially determined contribution rates are determined on biennial basis beginning with the fiscal years ended 2014 and 2015, determined as of July 1, 2013. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported on that schedule:

Actuarial cost method	Entry age
Amortization cost method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	3.5 percent
Salary increase	4.5 percent, average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation



Anneken, Huey & Moser^{PLLC}

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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, 2015, and the related notes to the financial statements, which comprise the District's basic financial statements and have issued our report thereon dated February 22, 2016.

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 22, 2016