HEBRON FIRE PROTECTION DISTRICT

June 30, 2018

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT INCLUDING SUPPLEMENTARY INFORMATION

HEBRON FIRE PROTECTION DISTRICT
TABLE OF CONTENTS

PAGE

VonLehman
CPA & ADVISORY FIRM

INDEPENDENT AUDITORS' REPORT

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 and each major fund of the Hebron Fire Protection District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively 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.

Auditors' 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 of 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 auditors' 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 auditors consider 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Hebron Fire Protection District as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

810 Wright's Summit Parkway, Suite 300
Fort Wright, KY 41011
main: 859.331.3300
main fax: 859.331.4358
vlcpa.com

Emphasis of Matter

As discussed in the notes to the financial statements, the previously issued financial statements for the year ended June 30, 2017 have been restated for a change in accounting principle as a result of the implementation of GASB Statement No. 75 as well as the correction of a material misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability, schedule of the District's pension contributions, schedule of the District's proportionate share of the net OPEB liability, and schedule of the District's OPEB contributions on pages 1-8 and 37-41, 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 March 18, 2019, 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 the effectiveness of the Hebron Fire Protection District's internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hebron Fire Protection District's internal control over financial reporting and compliance.

VonLehman & Company Inc.

Fort Wright, Kentucky
March 18, 2019

HEBRON FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

Our discussion and analysis of the Hebron Fire Protection District's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the District's basic financial statements that begin on page 9.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (on pages 9 and 10, respectively) provide information about the activities of the District as a whole, and present a fair view of the District's finances. Fund financial statements start on page 11. For government activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2018 are as follows:

- The liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources at the close of the most recent fiscal year by $1,204,754 (net position).
- The District's total net position decreased by $1,057,099.
- As of the close of the current fiscal year, the District's governmental fund reported an ending fund balance of $6,843,612, an increase of $750,971. $6,801,883 is available for spending at the District's discretion (unassigned fund balance).
- The District's total compensated absences increased by $39,110 (8.7%) during the current year.
- The District's cash and cash equivalents decreased by $270,543 from $4,449,290 at June 30, 2017 to $4,178,747 at June 30, 2018.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a longer-term view of the District's activities as a whole and comprise the statement of net position and statement of activities. The manner of presentation is similar to a private-sector business.

The statement of net position presents information about the financial position of the District as a whole, including all its capital assets and long-term liabilities on the full accrual basis. Over time, increases or decreases in net position is one indicator in monitoring the financial health of the District.

The statement of activities provides information about all the District's revenue and expenses on the full accrual basis, with the emphasis on measuring net revenues or expenses of each specific program. This statement explains in detail the change in net position for the year.

All of the District's activities in the government-wide financial statements are principally supported by general District revenues such as taxes or user-fee related charges such as ambulance services. The governmental activities reported in government-wide financial statements include general government activity, the fire protection and interest on long-term debt.

The government-wide financial statements use the full accrual basis of accounting method which records revenues when earned and expenses at the time the liability is incurred, regardless of when the related cash flows take place.

The government-wide financial statements can be found on pages 9-10 of this report.

Fund Financial Statements

The fund financial statements report the District's operations in more detail than the government-wide financial statements and focus primarily on the short-term activities of the District. The fund financial statements measure only current revenues and expenditures and fund balances; excluding capital assets, long-term debt and other long-term obligations.

The fund financial statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long term liabilities, are not presented in the fund financial statements. These financial statements help determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship or differences between the government-wide and fund financial statements in a reconciliation following the fund financial statements.

The governmental fund financial statements can be found on pages 11-14 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-36 of this report.

Government-Wide Financial Analysis

The perspective of the statement of net position is of the District as a whole. Table 1 provides a summary of the District's net position for 2018 compared to 2017. The balances as of June 30, 2017 have not been adjusted for the effects of the prior period adjustments.

Table 1
Net Position

	Governmental Activities	
	2018	**2017**
Assets		
Current and Other Assets	$ 6,957,651	$ 6,164,623
Noncurrent Assets, Net	2,464,413	2,524,324
Total Assets	9,422,064	8,688,947
Deferred Outflows of Resources	5,841,504	2,350,254
Liabilities		
Current and Other Liabilities	149,302	90,543
Noncurrent Liabilities	15,398,983	8,884,778
Total Liabilities	15,548,285	8,975,321
Deferred Inflows of Resources	920,037	177
Net Position		
Net Investment in Capital Assets	2,464,413	2,524,324
Unrestricted	(3,669,167)	(460,621)
Total Net Position	**$ (1,204,754)**	**$ 2,063,703**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by approximately $1.2 million as of June 30, 2018.

A portion of the District's net position, $2,464,413, reflects its investment in capital assets (e.g. land, buildings, improvements, infrastructure, vehicles, equipment, and furniture and fixtures); less any related debt used to acquire those assets that are still outstanding. These assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of net position is unrestricted and is a deficit balance of $3,669,167.

The following points explain the major changes impacting net position as shown on the previous page.

1. Certificates of deposit increased by $1,000,542 due to investing excess cash of $1,524,000 in a new certificate of deposit during the year as well as closing out two existing certificates of deposit in the amount of $522,152. The excess cash was the result of receipts exceeding disbursements.
2. Capital assets decreased by approximately $60,000. The District disposed of SCBA Equipment, Imaging Camera, and a Stryker Stair Pro in the current year with a remaining net book value of approximately $4,000. The District put into place new SCBA equipment, new server, and other various equipment totaling approximately $216,000. Total depreciation expense for the current year was $271,416.
3. Deferred outflows of resources increased by approximately $3.5 million largely due to recognizing deferred outflows of resources related to other postemployment benefits of $1.7 million. Additionally, deferred outflows of resources related to pension saw an increase of approximately $1.8 million largely due to changes in assumptions.
4. Current and other liabilities increased approximately $59,000. This is mainly related to the District having to record an additional liability of $44,161 for CERS.
5. Long-term liabilities and compensated absences increased approximately $6.5 million. This increase in long-term liabilities was primarily due to increase in OPEB liabilities due to the implementation of GASB Statement No. 75.
6. Deferred inflows of resources increased by approximately $920,000 primarily due to an increase in deferred inflows of resources related to pension of approximately $658,000. This increase was largely due to the difference between projected and actual earnings on plan investments. Additionally, deferred inflows of resources related to Other Postemployment Liabilities increased approximately $262,000 due to the implementation of GASB Statement No. 75.
7. Net investment in capital assets decreased $59,911 due to the capital asset activity noted above.
8. The District has $3,669,167 of unrestricted net deficit as of June 30, 2018.

Table 2 reflects the change in net position for fiscal years 2018 and 2017. The balances the fiscal year ending June 30, 2017 have not been adjusted for the effects of the prior period adjustment.

Table 2
Change in Net Position

	Governmental Activities Years Ended June 30, 2018	2017
Revenues		
General Revenues		
Taxes	$ 5,198,999	$ 4,710,860
Earnings on Investments	28,237	20,498
Loss on Sale of Capital Assets	(1,775)	5,314
Miscellaneous	5,302	3,575
Total General Revenues	5,230,763	4,740,247
Program Revenues		
Charges for Service	318,966	316,598
Operating Grant and Contributions	179,915	168,453
Total Program Revenues	498,881	485,051
Total Revenues	5,729,644	5,225,298
Program Expenses		
Fire	4,762,117	4,809,495
Pension Expense	1,347,403	561,108
Other Postemployment Benefit Expense	405,807	-
Depreciation	271,416	293,179
Total Program Expenses	6,786,743	5,663,782
Change in Net Position	**$ (1,057,099)**	**$ (438,484)**

Expenses

Fire expenses decreased $47,378 from the prior year largely due to a decrease in salaries and wages as a result of fewer employees. Pension expense increased $886,295 primarily due to an increase in the net pension liability as well as recording an additional liability of $44,161 for the missed CERS payment. OPEB expense increased $405,807 as a result of the implementation of GASB Statement No. 75.

Program Revenues

Program revenues were $498,881, an increase of $13,830. Charges for services increased approximately $2,000 primarily due an increase in runs. Capital grants and contributions increased approximately $11,000 in the current year due to the additional revenues received from the State Incentive and Pension Program during the year.

General Revenues

The primary source of revenue for the operations of the District is generated through the collection of property taxes. Property tax revenue total $5,198,999 for the year ended June 30, 2018, an increase of $488,139. The increase is largely the result of economic development within the District.

The District's Funds

The District has one governmental fund, the general fund, which is accounted for using the modified accrual basis of accounting. The general fund is the chief operating fund of the District. During the current fiscal year, fund balance increased $750,971. Unassigned fund balance at June 30, 2018, which is available for spending at the District's discretion, was $6,801,833. The remaining fund balance of the District is nonspendable for prepaid items of $41,779.

The general fund had revenues of approximately $5.7 million, and expenditures of approximately $5.0 million. Revenues increased by 9.7%, while expenses increased by 3.8%. Revenue primarily increased due to accretion in property taxes as well as an increase in the number of ambulance runs. Expenses increased largely due to an increase in employee benefits as a result of an increase in health insurance rates and an increase in capital outlay.

General Fund Budgeting Highlights

The District's budget is prepared according to the financial policies of the Board of Trustees and is based on accounting for certain transactions on the modified accrual basis of accounting. The beginning fund balance for the fiscal year was approximately $6.1 million.

For the general fund, budgeted revenues were budgeted at approximately $5.6 million. Actual revenues were approximately $5.7 million. Revenues exceeded budget by approximately $101,000. The largest reason is due to tax revenues exceeding budget by about $91,000 as a result of continued economic development.

Expenditures were budgeted at approximately $5.1 million, while actual expenditures were approximately $5.0 million. Expenses were under budget by approximately $136,000. The largest reason is due to employee benefits being under budget by about $48,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2018, the District had approximately $2.5 million invested in capital assets (net of depreciation), all in governmental activities.

Table 3 reflects fiscal year 2018 balances compared to fiscal year 2017.

Table 3
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2018	2017
Buildings	$ 1,182,364	$ 1,272,425
Vehicles	951,500	1,051,393
Equipment	327,296	196,156
Furniture and Fixtures	3,253	4,350
	$ 2,464,413	$ 2,524,324

The current year capital asset activity included the following activity:

Additions of Buildings	$ 6,548
Additions of Equipment	209,228
Disposal of Equipment	(120,808)
Accumulated Depreciation on Disposals	116,537
Depreciation	(271,416)
Change	$ (59,911)

Debt

At June 30, 2018, the District had approximately $487,000 in outstanding debt.

The following is a summary of the District's debt transactions during 2018.

	June 30, 2017	Additions	Repayments	June 30, 2018
Compensated Absences	$ 447,395	$ 39,110	$ -	$ 486,505

Economic Factors in Next Year's Budget

Total revenues for the year ended June 30, 2019 are budgeted at $5,373,460, approximately $366,000 less than the actual revenue for June 30, 2018. Total expenses for the year ended June 30, 2019 are budgeted at $5,373,460, approximately $385,000 more than the actual expenses for June 30, 2018.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to the Fire Chief, Tony Scheben, at the Hebron Fire Protection District at 3120 North Bend Road, Hebron, KY 41048.

HEBRON FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
Assets and Deferred Outflows of Resources	
Current Assets	
Cash and Cash Equivalents	$ 4,178,747
Certificates of Deposit	2,169,662
Common Stock	6,984
Annuities	451,528
Accounts Receivable	108,951
Prepaid Expenses	41,779
Total Current Assets	6,957,651
Noncurrent Assets	
Capital Assets	
Buildings	2,886,489
Vehicles	2,654,594
Equipment	1,082,085
Furniture and Fixtures	28,781
Less Accumulated Depreciation	(4,187,536)
Total Capital Assets	2,464,413
Total Assets	9,422,064
Deferred Outflows of Resources	
Deferred Outflows Related to Pension	4,122,164
Deferred Outflows Related to Other Postemployment Benefits	1,719,340
Total Deferred Outflows of Resources	5,841,504
Total Assets and Deferred Outflows of Resources	15,263,568
Liabilities and Deferred Inflows of Resources	
Current Liabilities	
Accounts Payable	4,123
Accrued Payroll and Withholdings	109,916
Compensated Absences	35,263
Total Current Liabilities	149,302
Noncurrent Liabilities (Less Current Portion)	
Compensated Absences	451,242
Net Pension Liability	10,917,741
Net Other Postemployment Benefits Liability	4,030,000
Total Noncurrent Liabilities	15,398,983
Total Liabilities	15,548,285
Deferred Inflows of Resources	
Deferred Inflows Related to Pension	657,693
Deferred Inflows Related to Other Postemployment Benefits	262,344
Total Deferred Inflows of Resources	920,037
Total Liabilities and Deferred Inflows of Resources	16,468,322
Net Position	
Net Investment in Capital Assets	2,464,413
Unrestricted	(3,669,167)
Total Net Position	$ (1,204,754)

See accompanying notes.

HEBRON FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets — Primary Government: Total Governmental Activities
Primary Government					
Governmental Activities					
Fire	$ 4,762,117	$ 318,966	$ 179,915	$ -	$ (4,263,236)
Pension Expense	1,347,403	-	-	-	(1,347,403)
Other Postemployment Benefit Expense	405,807	-	-	-	(405,807)
Depreciation	271,416	-	-	-	(271,416)
Total Primary Government	$ 6,786,743	$ 318,966	$ 179,915	$ -	(6,287,862)
General Revenues					
Taxes					5,198,999
Earnings on Investments					28,237
Loss on Sale of Capital Assets					(1,775)
Miscellaneous					5,302
Total General Revenues					5,230,763
Change in Net Position					(1,057,099)
Net Position July 1, 2017 (As Restated)					(147,655)
Net Position June 30, 2018					$ (1,204,754)

See accompanying notes.

HEBRON FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

		General Fund
Assets		
Cash and Cash Equivalents	$	4,178,747
Certificates of Deposit		2,169,662
Common Stock		6,984
Annuities		451,528
Accounts Receivable		108,951
Prepaid Expenses		41,779
Total Assets	$	6,957,651
Liabilities and Fund Balances		
Liabilities		
Accounts Payable	$	4,123
Accrued Payroll and Withholdings		109,916
Total Liabilities		114,039
Fund Balances		
Nonspendable		
Prepaid Expenses		41,779
Unassigned		6,801,833
Total Fund Balances		6,843,612
Total Liabilities and Fund Balances	$	6,957,651

See accompanying notes.

HEBRON FIRE PROTECTION DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total Fund Balance - Governmental Funds		$ 6,843,612
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	$ 6,651,949	
Accumulated Depreciation	(4,187,536)	
		2,464,413
Compensated absences are not due and payable in the current period, and therefore, are not reported in the governmental funds.		(486,505)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources Related to Pension		4,122,164
Deferred Outflows of Resources Related to Other Postemployment Benefits		1,719,340
Deferred Inflows of Resources Related to Pension		(657,693)
Deferred Inflows of Resources Related to Other Postemployment Benefits		(262,344)
Long-term liabilities, including net pension obligations and notes payable, are not due and payable in the current period, and therefore, are not reported as liabilities in governmental funds.		
Net Pension Liability		(10,917,741)
Net Other Postemployment Benefits Liability		(4,030,000)
Net Assets of Governmental Activities in the Statement of Net Position		$ (1,204,754)

See accompanying notes.

HEBRON FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	General Fund
Revenues	
Property Taxes	$ 5,198,999
Intergovernmental Revenue	179,915
EMS Billings and Fire Runs	318,966
Investment Earnings	28,237
Other Revenue	13,421
Total Revenues	5,739,538
Expenditures	
Current	
Fire	
Salaries and Wages	2,615,711
Employee Benefits	1,742,339
Contractual Services	37,770
Materials and Supplies	144,661
Repairs and Maintenance	57,836
Utilities	55,616
Insurance	45,279
Administration	72,859
Capital Outlay	216,496
Total Expenditures	4,988,567
Net Change in Fund Balance	750,971
Fund Balance July 1, 2017	6,092,641
Fund Balance June 30, 2018	$ 6,843,612

See accompanying notes.

HEBRON FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Change in Fund Balances - Total Governmental Funds		$	750,971
Amounts reported for governmental activities in the statement of net position are different because:			
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.			
Depreciation Expense	$ (271,416)		
Capital Outlays	215,776		
			(55,640)
In the statement of activities only the gain/loss on the sale of capital assets is reported. However, in the governmental funds the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital asset sold.			(4,271)
Some expenditures using current financial resources are not expenses in the statement of activities.			44,161
Compensated absences not expected to be paid within the next fiscal year are not reported as liabilities in the fund, but are reported as liabilities in the statement of net position. This is the net change in compensated absences for the year.			(39,110)
Governmental funds report District OPEB contributions as expenditures. However, OPEB expenses are reported in the statement of activities. This is the amount by which OPEB expense exceeded employee contributions.			
District Other Postemployment Benefit Contributions - June 30, 2018	241,004		
District Other Postemployment Benefit Contributions - June 30, 2017	(250,956)		
Cost of Benefits Earned Net of Employee Contributions	(395,855)		
			(405,807)
Governmental funds report District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.			
District Pension Contributions - June 30, 2018	574,499		
District Pension Contributions - June 30, 2017	(584,566)		
Cost of Benefits Earned Net of Employee Contributions	(1,337,336)		
			(1,347,403)
Change in Net Position - Governmental Activities		$	(1,057,099)

See accompanying notes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

The Hebron Fire Protection District (the District) is a non-enterprise governmental entity with taxing authority special purpose governmental entity governed under the provisions of Kentucky Revised Statute 75 and is administered by a Board of Trustees.

The District's purpose is to prevent and suppress fire and other similar hazards, to protect the lives and property of the public and to assist other governmental agencies in pursuit of these goals.

Basis of Presentation

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The District has no business-type activities.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements; therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function, or program, of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department, and are; therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds, rather than reporting funds by type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balance, which reports on the changes in net total position.

The District has one governmental fund. The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues - Exchange and Non-Exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used, or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before they can be recognized.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Certain estimates relate to unsettled transactions and events as of the date of the financial statements. Other estimates relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results may differ from estimated amounts.

Cash and Cash Equivalents

The District considers demand deposits to be cash equivalents

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

General capital assets are assets that generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of $500. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset, or materially extend an asset’s life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for general capital assets:

Description	Governmental Activities Estimated Lives
Buildings	30 Years
Vehicles	7 – 20 Years
Equipment	5 - 10 Years
Furniture and Fixtures	5 - 10 Years

Compensated Absences

It is the District’s policy to permit employees to accumulate earned but unused vacation pay benefits. There is a liability for unpaid accumulated vacation leave since the District does have a policy to pay specified amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements, only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, 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, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB 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, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period, and therefore deferred until that time. The District recognizes deferred outflows of resources related to pensions and other postemployment benefits.

Deferred inflows of resources represent an acquisition of net position that applies to a future period, and is therefore deferred until that time. The District recognizes deferred inflows of resources related to pensions and other postemployment benefits.

Net Position

The net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

- Non-Spendable – Amounts that cannot be spent, either because they are in a non-spendable form, or because they are legally or contractually required to be maintained intact.
- Restricted – Amounts that can be spent only for specific purposes because of the state or federal laws or externally imposed conditions by grantors or creditors.
- Committed – Amounts that can be used only for specific purposes determined by a formal action by the Board of Trustees.
- Assigned – Amounts that are designated by the District or Board of Trustees for a particular purpose.
- Unassigned – All amounts not included in other spendable classifications.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expense toward restricted resources, and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications-committed and then assigned fund balances before using unassigned fund balances.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

Property taxes include amounts levied on real and tangible property. The District's property tax rates are set annually by the District's Board of Trustees. The real estate property tax and tangible tax were both $1.22 per $1,000 of assessed value and motor vehicle and watercraft rate was $1.00 per $1,000 of assessed value for the fiscal year ending June 30, 2018.

Real property values were assessed on January 1st, property taxes were levied on October 31st, and are due and payable on or before December 31st. The taxpayer, however, receives a 2% discount if the taxes are paid by early November. All unpaid taxes become delinquent January 1st of the following year. Real property taxes are billed and collected by the Boone County Sheriff. The portion payable to the District is then remitted on a monthly basis. The District recognizes the tax revenue once it has been collected by the County Sheriff. The County Sheriff withholds a portion of the real property taxes as a collection fee.

Tangible property 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 the month. All unpaid taxes become delinquent on the first day of the subsequent month. Tangible property taxes are billed and collected by Boone County Clerk. The portion payable to the District is then remitted on a monthly basis. The District recognizes the tax revenue once it has been collected by the County Clerk. The County Clerk withholds a portion of the tangible property taxes as a collection fee.

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

a) By May 31, the Fire Chief submits to the Board of Trustees, a proposed operating budget on the modified accrual basis of accounting for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.

b) A public meeting is conducted to obtain citizen comments.

c) By July 1, the budget is legally enacted through majority vote of the Board of Trustees.

d) Appropriations continue in effect until a new budget is adopted.

e) The Board of Trustees may authorize supplemental appropriations during the year.

Expenditures may not legally exceed budgeted appropriations at the function level. Any revisions to the budget that would alter total revenues and expenditures of any fund must be approved by the Board of Trustees.

NOTE 3 - DEPOSITS AND INVESTMENTS

It is the policy of the District to invest public funds in a manner that will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of the District, and conforming to all state statutes governing the investments of public funds.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Kentucky Revised Statute 66.480 authorizes the District to invest in:

a) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian.

b) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, or a United States government agency.

c) Obligations of any corporation of the United States government.

d) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by the Kentucky Revised Statutes.

Deposits

Custodial credit risk – deposits. 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 FDIC. As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2018, $250,000 of the District's deposits were covered by FDIC insurance and the remaining balance was collateralized with securities held by the financial institutions on the District's behalf.

Investments

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has custodial credit risk at June 30, 2018 in the amount of $6,984 with regards to its common stock.

Credit risk – investments. This is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. The District's investment policy seeks to minimize credit risk by requiring investments in securities allowed under the investment policy.

As of June 30, 2018, the District had the following investments:

Investment Type	Fair Value
Certificates of Deposit	$ 2,169,662
Other Investments	
Common Stock	6,984
Annuities	451,528
Total Investments	$ 2,628,174

Below is the maturity related to the certificates of deposit:

Investment Maturities (Years)		
Less Than 1	1 - 10	More Than 10
$ 2,169,662	$ -	$ -

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarch is based upon the activity level in the markets for the security type and the inputs used to determine their fair value, as follows:

LEVEL 1 – Unadjusted price quotations in active markets/exchanges for identical assets or liabilities that the District has the ability to access.

LEVEL 2 – Other observable inputs (included but not limited to, quotes process for similar assets or liabilities in the markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets and liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks, and default rates) or other market-corroborated inputs).

LEVEL 3 – Unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Following is a description of the valuation methodologies used for the assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018:

Common Stock – Valued at the closing price reported on the active market on which the individual securities are traded.

Annuities – Valued at cost as cost approximates fair value.

The following assets were measured at fair value as of June 30, 2018:

	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common Stock	$ 6,984	$ -	$ -
Annuities	451,528	-	-
Total Assets at Fair Value	$ 458,512	$ -	$ -

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Depreciable Capital Assets				
Buildings	$ 2,879,941	$ 6,548	$ -	$ 2,886,489
Vehicles	2,654,594	-	-	2,654,594
Equipment	993,665	209,228	(120,808)	1,082,085
Furniture and Fixtures	28,781	-	-	28,781
Total Depreciable Capital Assets	6,556,981	215,776	(120,808)	6,651,949
Total Capital Assets at Historical Cost	6,556,981	215,776	(120,808)	6,651,949
Less Accumulated Depreciation				
Buildings	1,607,516	96,609	-	1,704,125
Vehicles	1,603,201	99,893	-	1,703,094
Equipment	797,509	73,817	(116,537)	754,789
Furniture and Fixtures	24,431	1,097	-	25,528
Total Accumulated Depreciation	4,032,657	271,416	(116,537)	4,187,536
Depreciable Capital Assets, Net	2,524,324	(55,640)	(4,271)	2,464,413
Governmental Activities Capital Assets - Net	$ 2,524,324	$ (55,640)	$ (4,271)	$ 2,464,413

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

NOTE 5 - LONG-TERM DEBT

The following is a summary of the District's long-term debt transactions for the year ended June 30, 2018.

Governmental Activities	Debt Outstanding June 30, 2017	Additions of New Debt	Retirements and Repayments	Debt Outstanding June 30, 2018	Amounts Due Within 1 Year
Compensated Absences	$ 447,395	$ 39,110	$ -	$ 486,505	$ 35,263

NOTE 6 - PENSION PLAN

General Information about the Pension Plan

Plan description: County Employees Retirement System consists of two plans, Non-hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement Systems (KRS) under the provision of Kentucky Revised Statute 61.645. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, District, and any additional eligible local agencies electing to participate in CERS.

Benefits provided: These systems provide for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

Non-hazardous Plan:

Tier 1: Retirement Eligibility for Members Whose Participation Began Before 09/01/2008

Age	Years of Service	Allowance Reduction
65	4	None
Any	27	None
55	5	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.
Any	25	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.

Tier 2: Retirement Eligibility for Members Whose Participation Began On or After 09/01/2008 but Before 01/01/2014

Age	Years of Service	Allowance Reduction
65	5	None
57	Rule of 87	None
60	10	6.5% per year for first five years, and 4.5% for next five years before age 65 or Rule of 87 (age plus years of service).

Tier 3: Retirement Eligibility for Members Whose Participation Began On or After 01/01/2014

Age	Years of Service	Allowance Reduction
65	5	None
57	Rule of 87	None

NOTE 6 - PENSION PLAN (Continued)

Benefit Formula for Tiers 1 & 2

Final Compensation	X	Benefit Factor		X	Years of Service
Average of the five highest if participation began before 09/01/2008.		2.20% if:	Member begins participating prior to 08/01/2004.		Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).
		2.00% if:	Member begins participating on or after 08/01/2004 and before 09/01/2008.		
Average of the last complete five if participation began on or after 09/01/2008 but before 01/01/2014.		Increasing percent based on service at retirement* plus 2.00% for each year of service over 30 if:	Member begins participating on or after 08/01/2004 but before 01/01/2014.		

* ***Service*** *(and Benefit Factor):* ***10 years or less*** *(1.10%);* ***10 - 20 years*** *(1.30%);*
20 - 26 years (1.50%); 26 - 30 years *(1.75%)*

Benefit Formula for Tier 3

(A-B) = C X 75% = D then B+D = Interest

A 5 Year Geometric Average Return	B Less Guarantee Rate	C Upside Sharing Interest	D Interest Rate Earned	Interest Rate Earned (4% + Upside)	Total Interest Credited to Members' Accounts
7.85%	4.00%	3.85%	2.89%	6.89%	$ 2,565,000

NOTE 6 - PENSION PLAN (Continued)

Hazardous Plan:

Tier 1: Retirement Eligibility for Members Whose Participation Began Before 09/01/2008

Age	Years of Service	Allowance Reduction
55	5	None
Any	20	None
50	15	6.5% per year for first five years, and 4.5% for next five years before age 55 or 20 years of service.
Any	25	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.

Tier 2: Retirement Eligibility for Members Whose Participation Began On or After 09/01/2008 but before 01/01/2014

Age	Years of Service	Allowance Reduction
60	5	None
Any	25	None
50	15	6.5% per year for first five years, and 4.5% for next five years before age 60 or 25 years of service.

Tier 3: Retirement Eligibility for Members Whose Participation Began On or After 01/01/2014

Age	Years of Service	Allowance Reduction
60	5	None
Any	25	None

Benefit Formula for Tiers 1 & 2

Final Compensation	X	Benefit Factor		X	Years of Service
Average of the three highest if participation began before 09/01/2008.		2.50% if:	Member begins participating before 09/01/2008.		Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).
Average of the three highest complete years if participation began on or after 09/01/2008.		Increasing percent based on service at retirement* if:	Member begins participating on or after 09/01/2008 but before 01/01/2014.		

* ***Service*** *(and Benefit Factor):* ***10 years or less*** *(1.30%);* ***10 - 20 years*** *(1.50%);* **20 - 25 years** *(2.25%);* ***25 + years*** *(2.50%)*

Benefit Formula for Tier 3

(A-B) = C X 75% = D then B+D = Interest

A 5 Year Geometric Average Return	B Less Guarantee Rate	C Upside Sharing Interest	D Interest Rate Earned	Interest Rate Earned (4% + Upside)	Total Interest Credited to Members' Accounts
8.07%	4.00%	4.07%	3.05%	7.05%	$ 616,000

NOTE 6 - PENSION PLAN (Continued)

Non-hazardous and Hazardous Plans:

For Tier 3 member begins participating on or after January 1, 2014; 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 current account. This current account will earn interest annually on both the member's and employer's contribution at a minimum rate of 4.00%. If the System's geometric average net investment return for the previous five years exceeds 4.00%, then the hypothetical account will be credited with an additional amount of interest equal to 75.00% of the amount of the return which exceeds 4.00%. All interest credits will be applied to the current 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.

For post-retirement death benefits, if the member is receiving a monthly benefit based on at least four (4) years of creditable service, the retirement system will pay a $5,000 death benefit payment to the beneficiary named by the member specifically for this benefit.

For disability benefits, members participating before August 1, 2004 may retire on account of disability provided the member has at least 60 months of service credit and is not eligible for an unreduced benefit. Additional service credit may be added for computation of benefits under the benefit formula. Members participating on or after August 1, 2004 but before January 1, 2014 may retire on account of disability provided the member has at least 60 months of service credit. Benefits are computed at the higher of 20% for non-hazardous and 25% for hazardous of Final Rate of Pay or the amount calculated under the Benefit Formula based upon actual service. Members participating on or after January 1, 2014 may retire on account of disability provided the member has at least 60 months of service credit. The 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% for non-hazardous and 25% for hazardous of the member's monthly final rate of pay or the annuitized account into a single life annuity option. Members disabled as a result of a single duty-related injury or act of violence related to their job may be eligible for special benefits.

For pre-retirement death benefits, the beneficiary of a deceased active member will be eligible for a monthly benefit if the member was: (1) eligible for retirement at the time of death or, (2) under the age of 55 with at least 60 months of service credit and currently working for a participating agency at the time of death or (3) no longer working for a participating agency but at the time of death had at least 144 months of service credit. If the beneficiary of a deceased active member is not eligible for a monthly benefit, the beneficiary will receive a lump sum payment of the member's contributions and any accumulated interest.

The Kentucky General Assembly has the authority to increase, suspend, or reduce Cost of Living Adjustments (COLAs). Senate Bill 2 of 2013 eliminated all future COLAs unless the State Legislature so authorizes on a biennial basis and either (1) the system is over 100.00% funded or (2) the Legislature appropriates sufficient funds to pay the increased liability for the COLA.

There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for either system.

Contributions: The employee contribution rate is set by state statute. Non-hazardous employees contribute 5% while hazardous duty members contributed 8%. Employees hired on or after September 1, 2008, contribute an additional 1% to health insurance.

NOTE 6 - PENSION PLAN (Continued)

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. For the fiscal year ended June 30, 2018, participating employers contributed 19.18% (14.48% pension fund and 4.70% insurance fund) for the non-hazardous system of each employee's creditable compensation and 31.55% (22.20% pension fund and 9.35% insurance fund) for the hazardous system. The actuarially determined rates set by the Board for the fiscal years were a percentage of each employee's creditable compensation. Contributions to the pension fund from the District $574,499 for the year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District reported a liability of $10,917,741 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, using generally accepted actuarial principles. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2018, the District's proportion for the non-hazardous system was 0.002684% and for the hazardous system was 0.480970%, which was a decrease of 0.000002% and 0.004112%, respectively, from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the District recognized pension expense of $1,347,403. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 718,253	$ 622,277
Difference between expected and actual experience	394,883	3,988
Changes of assumptions	2,175,491	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	259,038	31,428
Contributions after measurement date	574,499	-
Total	$ 4,122,164	$ 657,693

The $574,499 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,	
2019	$ 1,278,680
2020	1,282,401
2021	448,324
2022	(119,433)
Total	$ 2,889,972

NOTE 6 - PENSION PLAN (Continued)

Actuarial assumptions: The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	28 years
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.00%, Average
Investment Rate of Return	7.50% Net of pension plan investment expense, including inflation

The mortality for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%). The mortality table for healthy retired members and beneficiaries is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). The mortality table for disabled members is the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (make mortality rates are set back four years). There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected return on plan assets was determined by using a building-block method in which best-estimate ranges of expected future real returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

NOTE 6 - PENSION PLAN (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Nominal Return
US Equity	17.50 %	5.97 %
International Equity	17.50	7.85
Global Bonds	4.00	2.63
Global Credit	2.00	3.63
High Yield	7.00	5.75
Emerging Market Debt	5.00	5.50
Private Credit	10.00	8.75
Real Estate	5.00	7.63
Absolute Return	10.00	5.63
Real Return	10.00	6.13
Private Equity	10.00	8.25
Cash	2.00	1.88
Total	100.00 %	

Discount rate: The discount rate used to measure the total pension liability was 6.25%. The single discount rate was based on the expected rate of return on pension plan investments for the system. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan member. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability for the system. The projection of cash flows used to determine the single discount rate assumes that the participating employers in the system contributes the actuarially determined contribution rate in all future years.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following presents the District's proportionate share of the net pension liability using the discount rate of 6.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Non-hazardous	$ 198,141	$ 157,103	$ 122,775
Hazardous	$ 13,529,553	$ 10,760,638	$ 8,473,919

Changes of assumptions: Subsequent to the actuarial valuation date, but prior to the measurement date, the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, total pension liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the systems, and the assumed rate of return is 6.25%.

NOTE 6 - PENSION PLAN (Continued)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at www.kyret.ky.gov.

NOTE 7 - OPEB PLAN

Plan description: County Employees Retirement System consists of two plans, Non-hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Kentucky Retirement Systems (KRS) under the provision of Kentucky Revised Statute 61.645. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city, and any additional eligible local agencies electing to participate in CERS.

Benefits provided: The KRS' Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Portion Paid by Insurance Fund	
Years of Service	Paid by Insurance Fund (%)
20 + Years	100.00%
15 - 19 Years	75.00%
10 - 14 Years	50.00%
4 - 9 Years	25.00%
< 4 Years	0.00%

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after July 1, 2003, earn $10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after July 1, 2003 earn $15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives $10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5% based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of KRS 61.692. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for either system.

Contributions: The employee contribution rate is set by state statute. Non-hazardous employees contribute 5% while hazardous duty members contribute 8%. Employees hired on or after September 1, 2008, contribute an additional 1% to health insurance.

NOTE 7 - OPEB PLAN (Continued)

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. For the fiscal year ended June 30, 2018, participating employers contributed 19.18% (14.48% pension fund and 4.70% insurance fund) for the non-hazardous system and 31.55% (22.20% pension fund and 9.35% insurance fund) for the hazardous system of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation. Contributions to the insurance fund from the District were $241,004 for the year ended June 30, 2018.

At June 30, 2018, the District reported a liability of $4,030,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2017, using generally accepted actuarial principles. The District's proportion of the net OPEB liability was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers. At June 30, 2018, the District's proportion for the non-hazardous system was 0.002684% and for the hazardous system was 0.480970%.

For the year ended June 30, 2018, the District recognized OPEB expense of $405,807. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ -	$ 9,415
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	252,014
Changes in Assumptions	1,478,336	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	915
Commission Contributions Subsequent to the Measurement Date	241,004	-
Total	$ 1,719,340	$ 262,344

NOTE 7 - OPEB PLAN (Continued)

The $241,004 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30,	
2019	$ 350,620
2020	350,620
2021	350,620
2022	161,353
2023	2,171
Thereafter	608
	$ 1,215,992

Actuarial assumptions: The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay
Amortization Period	28 Years, Closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll Growth Rate	4.00%
Inflation	3.25%
Salary Increases	4.00%, Average
Investment Rate of Return	7.50%
Healthcare Cost Trend Rates (Pre-65)	Initial trend starting at 7.50% and gradually Decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Healthcare Cost Trend Rates (Post-65)	Initial trend starting at 5.50% and gradually Decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

The mortality for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%). The mortality table for healthy retired members and beneficiaries is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). The mortality table for disabled members is the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (make mortality rates are set back four years). There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected return on plan assets was determined by using a building-block method in which best-estimate ranges of expected future real returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

NOTE 7 - OPEB PLAN (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation		Long Term Expected Nominal Return
US Equity	17.50	%	5.97
International Equity	17.50		7.85
Global Bonds	4.00		2.63
Global Credit	2.00		3.63
High Yield	7.00		5.75
Emerging Market Debt	5.00		5.50
Private Credit	10.00		8.75
Real Estate	5.00		7.63
Absolute Return	10.00		5.63
Real Return	10.00		6.13
Private Equity	10.00		8.25
Cash	2.00		1.88
Total	100.00	%	

Discount rate: The discount rate used to measure the total OPEB liability was 5.84% for non-hazardous and 5.96% for hazardous. The single discount rate was based on the expected rate of return on the OPEB plan investments of 6.25% and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2017. Future contributions are projected in accordance with the Board's current funding policy, which includes the requirement that each participating employer in the System contribute the actuarially determined contribution rate, which is determined using a closed funding period (26 years as of June 30, 2017) and the actuarial assumptions and methods adopted by the Board of Trustees. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate: The following present's the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.84% for non-hazardous and 4.96% for hazardous) or 1-percentage-point higher (6.84% for non-hazardous and 6.96% for hazardous) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Non-hazardous	$ 68,658	$ 53,958	$ 41,724
Hazardous	$ 5,328,442	$ 3,976,042	$ 2,869,557

NOTE 7 - OPEB PLAN (Continued)

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates: The following present's the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Non-hazardous	$ 41,388	$ 53,958	$ 70,297
Hazardous	$ 2,814,579	$ 3,976,042	$ 5,413,529

Changes of assumptions: Subsequent to the actuarial valuation date, but prior to the measurement dates, the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, total OPEB liability as of June 30, 2017 is determined using a 2.30% price inflation assumption and an assumed rate of return of 6.25%.

Pension plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at www.kyret.ky.gov.

NOTE 8 - OPERATING LEASES

The District leases equipment under an operating lease expiring in September, 2020. Expenditures for equipment under the operating lease totaled $278 for the year ended June 30, 2018. Future minimum rental payments under this lease is as follows:

Years Ending June 30,	
2019	$ 278
2020	278
2021	70
	$ 626

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District has obtained insurance coverage through a commercial insurance company. In addition, the District has effectively managed risk through various employee education and prevention programs. All risk general liability management activities are accounted for in the general fund. Expenditures and claims are recognized when probable that a loss has occurred and the amount of loss can be reasonably estimated.

Management estimates that the amount of actual or potential claims against the District as of June 30, 2018 will not materially affect the financial condition of the District. Therefore, the general fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

NOTE 10 - CLAIMS AND JUDGEMENTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

NOTE 11 - DONATED SERVICES

The District does not record the donated services of volunteers.

NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF ERRORS

For the year ended June 30, 2018, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows for resources, deferred inflows of resources, and expenses/expenditures. For defined benefit other postemployment benefit plans, these Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to period of employee service. This Statement also requires enhanced note disclosures and schedules of required supplementary information that will be presented by the plans that are within its scope.

For the year ended June 30, 2016, the District did not remit the CERS payments for one pay period until January, 2019. The related expenses and accrual were not properly recorded as of June 30, 2016 and therefore net position was overstated by $44,161.

NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF ERRORS (Continued)

The items above had the following effects:

		June 30, 2017
Net Position, as Originally Reported	$	2,063,703
Recognition of CERS Payable		(44,161)
Contributions after Measurement Date for Insurance Fund		250,956
Recognition of Net OPEB Liability		(2,418,153)
Restated Net Position	$	(147,655)

REQUIRED SUPPLEMENTARY INFORMATION

HEBRON FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
Property Taxes	$ 4,522,180	$ 5,108,180	$ 5,198,999	$ 90,819
Intergovernmental Revenue	189,432	179,289	179,915	626
EMS Billings and Fire Runs	326,073	326,073	318,966	(7,107)
Investment Earnings	19,000	25,000	28,237	3,237
Other Revenue	-	-	13,421	13,421
Total Revenues	5,056,685	5,638,542	5,739,538	100,996
Expenditures				
Fire				
Salaries and Wages	2,726,382	2,634,471	2,615,711	18,760
Employee Benefits	1,777,378	1,790,363	1,742,339	48,024
Contractual Services	74,450	44,450	37,770	6,680
Materials and Supplies	170,080	170,080	144,661	25,419
Repairs and Maintenance	82,465	82,465	57,836	24,629
Utilities	55,900	55,900	55,616	284
Insurance	42,000	42,000	45,279	(3,279)
Administration	87,785	87,785	72,859	14,926
Capital Outlay	240,626	216,920	216,496	424
Total Expenditures	5,257,066	5,124,434	4,988,567	135,867
Net Change in Fund Balance	(200,381)	514,108	750,971	236,863
Fund Balance July 1, 2017	6,092,641	6,092,641	6,092,641	-
Fund Balance June 30, 2018	$ 5,892,260	$ 6,606,749	$ 6,843,612	$ 236,863

See accompanying notes.

HEBRON FIRE PROTECTION DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2018

County Employees Retirement System
Last 10 Fiscal Years*

	2018	2017	2016	2015
District's Proportion of the Net Pension Liability (Asset) - Non-Hazardous	0.002684%	0.002685%	0.002692%	0.002587%
District's Proportion of the Net Pension Liability (Asset) - Hazardous	0.480970%	0.485081%	0.451898%	0.434862%
District's Proportionate Share of the Net Pension Liability (Asset) - Non-Hazardous	$ 157,103	$ 132,230	$ 115,754	$ 83,938
District's Proportionate Share of the Net Pension Liability (Asset) - Hazardous	10,760,638	8,323,714	6,937,107	5,226,286
Total District's Proportionate Share of the Net Pension Liability (Asset)	$ 10,917,741	$ 8,455,944	$ 7,052,861	$ 5,310,224
District's Covered - Employee Payroll	$ 2,715,090	$ 2,594,114	$ 2,433,001	$ 2,276,983
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	402.11%	325.97%	289.88%	233.21%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Non-Hazardous	53.32%	55.50%	59.97%	66.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Hazardous	49.78%	53.95%	57.52%	63.46%

*Only four year of information available. Additional years' information will be displayed as it becomes available.

See accompanying notes.

HEBRON FIRE PROTECTION DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
June 30, 2018

County Employees Retirement System
Last 10 Fiscal Years*

Non-hazardous	2018	2017	2016	2015
Contractually Required Contribution	$ 9,925	$ 8,773	$ 10,059	$ 7,977
Contributions in Relation to the Contractually Required Contribution	(9,925)	(8,773)	(10,059)	(7,977)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
District's Covered-Employee Payroll	$ 68,546	$ 62,888	$ 80,991	$ 62,814
Contributions as a Percentage of Covered-Employee Payroll	14.48%	13.95%	12.42%	12.70%

Hazardous	2018	2017	2016	2015
Contractually Required Contribution	$ 564,574	$ 575,793	$ 509,159	$ 475,933
Contributions in Relation to the Contractually Required Contribution	(564,574)	(575,793)	(509,159)	(475,933)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
District's Covered-Employee Payroll	$ 2,543,125	$ 2,652,202	$ 2,513,123	$ 2,370,187
Contributions as a Percentage of Covered-Employee Payroll	22.20%	21.71%	20.26%	20.08%

*Only four years of information available. Additional years' information will be displayed as it becomes available.

See accompanying notes.

HEBRON FIRE PROTECTION DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
JUNE 30, 2018

County Employees Retirement System
Last 10 Fiscal Years*

	2018
District's Proportion of the Net OPEB Liability (Asset) - Non-hazardous	0.002684%
District's Proportion of the Net OPEB Liability (Asset) - Hazardous	0.480970%
District's Proportionate Share of the Net OPEB Liability (Asset) - Non-hazardous	$ 53,958
District's Proportionate Share of the Net OPEB Liability (Asset) - Hazardous	3,976,042
Total District's Proportionate Share of the Net OPEB Liability (Asset)	$ 4,030,000
District's Covered - Employee Payroll	$ 2,715,090
District's Proportionate Share of the Net OPEB Liability (Assets) as a Percentage of Its Covered-Employee Payroll	148.43%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability - Non-hazardous	52.39%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability - Hazardous	58.99%

*Only one year of information available. Additional years' information will be displayed as it becomes available.

See accompanying notes.

HEBRON FIRE PROTECTION DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
JUNE 30, 2018

County Employees Retirement System
Last 10 Fiscal Years*

Non-hazardous		2018
Contractually Required Contribution	$	3,222
Contributions in Relation to the Contractually Required Contribution		(3,222)
Contribution Deficiency (Excess)	$	-
District's Covered-Employee Payroll	$	68,546
Contributions as a Percentage of Covered-Employee Payroll		4.70%

Hazardous		2018
Contractually Required Contribution	$	237,782
Contributions in Relation to the Contractually Required Contribution		(237,782)
Contribution Deficiency (Excess)	$	-
District's Covered-Employee Payroll	$	2,543,125
Contributions as a Percentage of Covered-Employee Payroll		9.35%

*Only one year of information available. Additional years' information will be displayed as it becomes available.

See accompanying notes.

OTHER SUPPLEMENTARY INFORMATION

VonLehman
CPA & ADVISORY FIRM

INDEPENDENT AUDITORS' 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*

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 and each major fund of the Hebron Fire Protection District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 18, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness, item 2018-001. We also identified other matters which are described in a separate management recommendation letter.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2018-001.

810 Wright's Summit Parkway, Suite 300
Fort Wright, KY 41011
main: 859.331.3300
main fax: 859.331.4358 vlcpa.com

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

VonLehman & Company Inc.

Fort Wright, Kentucky
March 18, 2019

HEBRON FIRE PROTECTION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENT FINDINGS

Finding 2018-001 County Employees' Retirement Systems Payments

Criteria: Employers are required to report creditable compensation and contributions to Kentucky Retirement Systems (KRS) each month. Kentucky Revised Statutes 61.675 requires participating employers to forward employee and employer contributions, along with a record of those contributions, to KRS by the 10th day of the month following the period being reported.

Condition: During our testing of the census data underlying the actuarial valuations used to calculate the pension liability and other postemployment benefits liability, we determined the employee and employer contributions, along with a record of those contributions, for the November 30, 2015 pay date were not submitted to KRS. Additionally, there were two employees we were unable to reconcile total creditable compensation and contributions on the census to the underlying payroll records.

Cause: The District reported the November, 2015 creditable compensation and contributions to KRS prior to November 20th and therefore missed reporting the November 30th pay date. Additionally, payroll records were not reconciled with the annual census.

Effect: Contributions were not remitted timely to KRS and therefore not applied timely to employee's accounts. Additionally, amounts reported or submitted to KRS were potentially inaccurate. Finally, the pension liability for the year ended June 30, 2017 was potentially under reported due to the proportionate share excluding these contributions.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend annually the District obtain a copy of the census and reconcile internal payroll records to the census data.

Views of Responsible Officials and Planned Corrective Actions: We are in agreement with the above finding. We will obtain a copy of the annual census from Kentucky Retirement Systems and reconcile internal payroll records to the census data. Additionally, we have assigned an employee outside the payroll function to review the monthly submission to Kentucky Retirement Systems to ensure creditable compensation and contributions are accurate and complete.

HEBRON FIRE PROTECTION DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

PRIOR YEAR - FINANCIAL STATEMENT FINDINGS

Finding 2017-001 Reconcile Accounts to Support Documents

Condition: Reconciliations were not performed for all general ledger accounts.

Recommendation: We recommended the District reconcile general ledger accounts for cash, investments, accounts receivable, prepaids, accounts payable, and accruals to supporting documentation on a monthly basis. These reconciliations should be reviewed by another member of the District and their review should be physically documented.

Current Status: The District enlisted the assistance of a bookkeeper at another District to prepare balance sheet reconciliations. This finding is considered resolved.

Finding 2017-002 Consider Hiring or Appointing an Individual for Oversight

Condition: As a result of our audit procedures it was determined that the District does not have an employee, Board Member, or outside agency currently serving to provide the necessary knowledge, skills and experience to prepare and accept responsibility for the audited financial statements in accordance with accounting standards generally accepted in the United States of America.

Recommendation: We recommended the District consider hiring or appointing a Board Member that possesses the knowledge, skills, and experience necessary to accept responsibility for the audited financial statements.

Current Status: The District enlisted the assistance of a bookkeeper at another District to provide the necessary skills, knowledge and experience. This finding is considered resolved.