

Butler County Fire District #3
Rose Hill, Kansas

Independent Auditors' Report with
Financial Statement and
Supplementary Information

For the Year Ended December 31, 2017

BUTLER COUNTY FIRE DISTRICT #3
Rose Hill, Kansas

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JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Butler County Fire District #3
Rose Hill, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Butler County Fire District #3, a related municipal entity of Butler County, Kansas, as of and for the year ended December 31, 2017, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statement 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 statement.

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Butler County Fire District #3 on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Butler County Fire District #3 as of December 31, 2017, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of Butler County Fire District #3 as of December 31, 2017, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Other Matters

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The Summary of Expenditures – actual and budget, regulatory basis (budgeted funds only) and the Schedule of Receipts and Expenditures – actual and budget for each individual fund, regulatory basis, (Schedules 1-2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of Butler County Fire District #3 as of and for the year ended December 31, 2016 (not presented herein), and have issued our report thereon dated August 7, 2017, which contained an unmodified opinion on the basic financial statement. The 2016 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://admin.ks.gov/offices/chief-financial-officer/municipal-services>. The 2016 actual column (2016 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget for the year ended December 31, 2017 (Schedule 1 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2016 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2016 basic financial statement. The 2016 comparative information was subjected to the auditing procedures applied in the audit of the 2016 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2016 basic financial statement or to the 2016 basic financial statement itself, and other additional procedures in

accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2016 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2016, on the basis of accounting described in Note 2.

Jarred, Gilmore & Phillips, PA

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

February 23, 2018
Chanute, Kansas

Statement 1

Butler County Fire District #3
 Rose Hill, Kansas
 Summary Statement of Receipts, Expenditures, and Unencumbered Cash
 Regulatory Basis
 For the Year Ended December 31, 2017

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Cash Balances December 31, 2017
General	\$ 5,708.48	\$ 437,735.79	\$ 403,312.34	\$ 40,131.93	\$ 14,404.01	\$ 54,535.94
Special Purpose Funds: Equipment Reserve	117,645.97	6,239.50	5,715.56	118,169.91	-	118,169.91
Bond and Interest: Bond and Interest	-	108,910.00	108,910.00	-	-	-
Total Reporting Entity	\$ 123,354.45	\$ 552,885.29	\$ 517,937.90	\$ 158,301.84	\$ 14,404.01	\$ 172,705.85
Composition of Cash						
						130,868.79
						41,837.06
						\$ 172,705.85

The notes to the financial statement are an integral part of this statement.

BUTLER COUNTY FIRE DISTRICT #3
Rose Hill, Kansas

Notes to Financial Statement
December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement and schedules of the Butler County Fire District #3, Rose Hill, Kansas, have been prepared in order to show compliance with the cash basis laws of the State of Kansas. The Governmental Accounting Standards Board is the principal standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies follow. Note 1 describes how the District's accounting policies differ from generally accepted accounting policies.

Financial Reporting Entity

The Butler County Fire District #3 (District) is a municipality of the State of Kansas organized under K.S.A. 19-3601, with a five-member Board of Trustees appointed by the Butler County Commissioners, Butler County, Kansas. The District is a related municipal entity of Butler County.

Related Municipal Entities: A related municipal entity is determined by the following criteria. Whether the District exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of the public service, and significant operational or financial relationships with the District. Related municipal entities are not required to be included in the District's audit by the Kansas Municipal Audit and Accounting Guide (KMAAG).

The District has determined that no outside agency meets the above criteria and, therefore, no outside agency has been include as a related municipal entity in this financial statement.

Regulatory Basis Fund Types

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The following types of funds comprise the financial activities of the Butler County Fire District #3, for the year of 2017:

General fund – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Bond and Interest fund – used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Special Purpose fund – used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation – Regulatory Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

Reimbursed Expenses

The District records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as a receipt to the fund that receives the reimbursement. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements under the KMAAG regulatory basis accounting.

Pension Plan

As employees of Butler County, substantially all full-time District employees are members of the State of Kansas Public Employees Retirement System, which is a multi-employer state-wide pension plan. The District's policy is to fund all pension costs accrued. Such costs to be funded are actuarially determined annually by the State of Kansas.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest fund. Although directory rather than mandatory, the statutes provide for the following timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1.
2. Publication in local newspaper on or before August 5 of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information (Continued)

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of the individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year’s accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds, trust funds, and the following special purpose fund: Equipment Reserve Fund.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Kansas Statutes

Statement 1 and Schedule 1 have been prepared in order to show compliance with the cash basis and budget laws of Kansas. As shown in Statement 1 and Schedule 1, the District was in compliance with the cash basis and budget laws of Kansas.

Management is not aware of any other statutory violations.

3. DEPOSITS AND INVESTMENTS

K.S.A 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District’s funds have a main branch or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

K.S.A 12-1675 limits the District’s investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. Government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

3. DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2017.

At year-end, the District's carrying amount of deposits was \$172,705.85 and the bank balance was \$178,203.31. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$178,203.31 was covered by FDIC insurance.

4. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The District manages these risks of loss through the purchase of various insurance policies.

5. Long-Term Debt

Changes in long-term debt for the District for the year ended December 31, 2017, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
General Obligation Bonds Series A 2013	.85% - 2.6%	2013	\$ 940,000.00	2023	\$ 690,000.00	-	\$ 95,000.00	\$ 595,000.00	\$ 13,910.00
Total Contractual Indebtedness					<u>\$ 690,000.00</u>	<u>-</u>	<u>\$ 95,000.00</u>	<u>\$ 595,000.00</u>	<u>\$ 13,910.00</u>

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

Issue	2018	2019	2020	2021	2022	2023	Total
Principal							
General Obligation Bonds Series A 2013	\$ 95,000.00	\$ 95,000.00	\$ 95,000.00	\$ 100,000.00	\$ 105,000.00	\$ 105,000.00	\$ 595,000.00
Total Principal Payments	<u>95,000.00</u>	<u>95,000.00</u>	<u>95,000.00</u>	<u>100,000.00</u>	<u>105,000.00</u>	<u>105,000.00</u>	<u>595,000.00</u>
Interest							
General Obligation Bonds GO Bonds Series A 2013	12,584.00	11,060.00	9,350.00	7,450.00	5,250.00	2,730.00	48,424.00
Total Interest Payments	<u>12,584.00</u>	<u>11,060.00</u>	<u>9,350.00</u>	<u>7,450.00</u>	<u>5,250.00</u>	<u>2,730.00</u>	<u>48,424.00</u>
Total Principal and Interest	<u>\$ 107,584.00</u>	<u>\$ 106,060.00</u>	<u>\$ 104,350.00</u>	<u>\$ 107,450.00</u>	<u>\$ 110,250.00</u>	<u>\$ 107,730.00</u>	<u>\$ 643,424.00</u>

6. DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publically available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1 and KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1.00% contribution rate for Death and Disability Program) and the statutory contribution rate was 9.46% for the fiscal year ended December 31, 2017. Contributions to the pension plan from the District were \$18,439.20 for the year ended December 31, 2017.

Net Pension Liability

At December 31, 2017, The District's proportionate share of the collective net pension liability reported by KPERS was \$165,530.00. 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 December 31, 2016, which was rolled forward to June 30, 2017. The District's proportion of the net pension liability was based on the ratio of the District's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at www.kpers.org or can be obtained as described above.

7. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Other Post Employment Benefits:

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the District is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

7. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS (Continued)

Compensated Absences

District employees are legally employees of Butler County and are subject to the County's personnel policies. It is the County's policies to earn and accumulate vacation leave as follows:

All employees separating from the District employment will receive payment for all accrued vacation. Employees may accumulate up to 200 hours. During the first five years of employment, employees earn vacation at the rate of 80 hours per year; after five years, 96 hours per year; after 10 years, 120 hours per year; and after 20 years, 160 hours per year.

Full time employees earn and accumulate sick leave at the rate of 8 hours per month, up to a maximum of 720 hours. However, each year, excess hours over 720 may be paid out at the rate of 25% of the employee's regular rate of pay. Upon retirement or termination, any employee in good standing, employed between five and ten years, shall be compensated for accrued sick leave at the rate of 25% of his or her regular rate of pay; if employed between ten and fifteen years 33.3% and if employed more than fifteen years, they shall be compensated 50% of a maximum of 720 hours.

The District estimates a liability for compensated absences which meet the following criteria:

1. The District's obligation relating to employees rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria, the District has estimated a liability for vacation pay, which has been earned, but not taken by District employees of \$13,295.82. The District has estimated a liability for sick leave earned, but not taken, by District employees, of \$13,069.79.

8. INTERFUND TRANSFERS

Operating transfers were as follows:

<u>From Fund:</u>	<u>To Fund:</u>	<u>Statutory Authority</u>	<u>Amount</u>
General	Equipment Reserve	K.S.A. 12-1,118	\$ 6,239.50

9. SUBSEQUENT EVENTS

The District evaluated events and transactions occurring subsequent year end, and there were no subsequent events requiring recognition in the financial statements. However, after the year end, the District has entered into a contract to purchase a rescue vehicle from Maintainer Corp of Iowa. The vehicle is expected to be delivered by the middle of 2018 and will cost approximately \$189,684.00. The District plans to obtain a lease purchase for the balance after a \$50,000.00 down payment.

SUPPLEMENTARY INFORMATION

Butler County Fire District #3
 Rose Hill, Kansas
 Summary of Expenditures - Actual and Budget
 (Budgeted Funds Only)
 Regulatory Basis
 For the Year Ended December 31, 2017

Funds	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
General	\$ 426,150.00	\$ 403,312.34	\$ (22,837.66)
Bond and Interest	108,910.00	108,910.00	-

Butler County Fire District #3

Rose Hill, Kansas

GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2017

(With Comparative Actual Totals For the Year Ended December 31, 2016)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Receipts				
Ad Valorem Property Tax	\$ 340,399.33	\$ 354,039.66	\$ 356,962.00	\$ (2,922.34)
Delinquent Tax	9,239.81	10,733.30	7,000.00	3,733.30
Motor Vehicle Tax	52,960.37	52,793.81	42,224.00	10,569.81
Recreational Vehicle Tax	1,095.95	1,142.93	774.00	368.93
16/20M Vehicle Tax	458.50	641.24	443.00	198.24
Commercial Vehicle Tax	-	589.53	574.00	15.53
In Lieu of Tax	65.49	63.11	-	63.11
Use of Money and Property				
Interest	227.79	332.87	-	332.87
Sale of Assets	5,657.39	3,370.00	-	3,370.00
Other Receipts				
Miscellaneous	2,110.00	9,101.48	-	9,101.48
Reimbursed Expense	1,955.43	4,927.86	-	4,927.86
Total Receipts	<u>414,170.06</u>	<u>437,735.79</u>	<u>\$ 407,977.00</u>	<u>\$ 29,758.79</u>
Expenditures				
Personnel	252,231.27	272,607.77	\$ -	\$ 272,607.77
Contractual Services	98,372.81	94,566.37	426,150.00	(331,583.63)
Commodities	24,451.29	29,898.70	-	29,898.70
Capital Outlay	842.60	-	-	-
Debt Service				
Capital Lease - Fire Truck	7,386.41	-	-	-
Operating Transfers to				
Equipment Reserve Fund	36,561.70	6,239.50	-	6,239.50
Total Expenditures	<u>419,846.08</u>	<u>403,312.34</u>	<u>\$ 426,150.00</u>	<u>\$ (22,837.66)</u>
Receipts Over(Under) Expenditures	(5,676.02)	34,423.45		
Unencumbered Cash, Beginning	11,384.50	5,708.48		
Unencumbered Cash, Ending	<u>\$ 5,708.48</u>	<u>\$ 40,131.93</u>		

Butler County Fire District #3
Rose Hill, Kansas
EQUIPMENT RESERVE FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2017
(With Comparative Actual Totals For the Year Ended December 31, 2016)

	Prior Year Actual	Current Year Actual
Receipts		
Operating Transfers from General Fund	\$ 36,561.70	\$ 6,239.50
Total Receipts	36,561.70	6,239.50
Expenditures		
Capital Outlay	20,905.66	5,715.56
Total Expenditures	20,905.66	5,715.56
Receipts Over(Under) Expenditures	15,656.04	523.94
Unencumbered Cash, Beginning	101,989.93	117,645.97
Unencumbered Cash, Ending	\$ 117,645.97	\$ 118,169.91

Butler County Fire District #3

Rose Hill, Kansas

BOND AND INTEREST FUND

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2017

(With Comparative Actual Totals For the Year Ended December 31, 2016)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Receipts				
Ad Valorem Property Tax	\$ 88,191.17	\$ 92,550.86	\$ 99,413.00	\$ (6,862.14)
Delinquent Tax	2,551.31	2,734.38	2,000.00	734.38
Motor Vehicle Tax	13,821.50	13,012.83	10,395.00	2,617.83
Recreational Vehicle Tax	285.93	282.04	190.00	92.04
16/20M Vehicle Tax	123.97	167.20	109.00	58.20
Commercial Vehicle Tax	-	145.11	141.00	4.11
In Lieu of Tax	16.12	17.58	-	17.58
Other Receipts				
Reimbursed Expense	-	-	-	-
Total Receipts	104,990.00	108,910.00	\$ 112,248.00	\$ (3,338.00)
Expenditures				
Debt Service				
Principal	90,000.00	95,000.00	\$ 95,000.00	\$ -
Interest	14,990.00	13,910.00	13,910.00	-
Total Expenditures	104,990.00	108,910.00	\$ 108,910.00	\$ -
Receipts Over(Under) Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	\$ -	\$ -		



Board of Trustees
Butler County Fire District #3
Rose Hill, Kansas

In planning and performing our audit of the financial statement of the Butler County Fire District #3 as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Butler County Fire District #3's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Butler County Fire District #3's internal control. Accordingly, we do not express an opinion on the effectiveness of Butler County Fire District #3's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 District's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in internal control to be material weaknesses:

Segregation of Duties

An internal control structure is, quite simply, the procedures and policies in effect which ensure that the City's financial activity is properly recorded, processed, summarized, and reported in the financial statements. A weakness in the control structure occurs when one person is responsible for all of the accounting activities such as performing billings, receipting cash, making deposits, reconciling the bank accounts, and having access to all books and records of the District. Due to small staff size, it is not possible for reviews of daily work to take place, potentially resulting in errors in financial records and reports.

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Preparation of Financial Statement

Accounting standards states the client must be able to accept responsibility and be able to identify a material misstatement when reviewing the financial statement, including footnotes and supplemental information. This would also include knowing if a required footnote disclosure was missing or not correctly stated. Presently, the District staff does not have the ability to process and prepare the required financial statement, including footnotes. The potential effects of this material weakness could be unrecognized errors on the financial statement. While we recognize that this condition is not unusual for a District your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board of Trustees should continually be aware of the financial reporting of the District and changes in reporting requirements.

This communication is intended solely for the information and use of management, Board of Trustees, others within the Butler County Fire District #3, and is not intended to be, and should not be, used by anyone other than these specified parties.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

Chanute, Kansas
February 23, 2018