

BURRTON CONSOLIDATED FIRE DISTRICT #5

BURRTON, KANSAS

Financial Statement

For the Year Ended December 31, 2017

Burrton Consolidated Fire District #5
For the Year Ended December 31, 2017

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Knudsen Monroe & Company LLC

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Burrton Consolidated Fire District #5
Burrton, Kansas 67020-9079

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Burrton Consolidated Fire District #5, Burrton, Kansas (District), 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.

Auditor's 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 District'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 District 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 the District 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 the District 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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 2017 fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, and individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the 2017 basic financial statement, but 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 2017 basic financial statement. The 2017 information has been subjected to the auditing procedures applied in the audit of the 2017 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 2017 basic financial statement or to the 2017 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 2017 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 the District as of and for the year ended December 31, 2016 (not presented herein), and have issued our report thereon dated June 29, 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://www.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 2 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 1.

Krudsen, Monroe & Company, LLC

Certified Public Accountants
Newton, Kansas

August 10, 2018

Burrton Consolidated Fire District #5

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	Ending Cash Balance
General Fund	\$ 23,486	145,736	149,869	19,353	1,737	21,090
Special Purpose Funds						
EMS	23,536	53,621	46,100	31,057	-	31,057
EMS Equipment Reserve	34,759	130	4,243	30,646	-	30,646
Fire Equipment Reserve	<u>25,657</u>	<u>21,517</u>	<u>21,248</u>	<u>25,926</u>	-	<u>25,926</u>
Total Special Purpose Funds	<u>83,952</u>	<u>75,268</u>	<u>71,591</u>	<u>87,629</u>	-	<u>87,629</u>
Bond and Interest Fund	<u>7</u>	<u>80,259</u>	<u>78,278</u>	<u>1,988</u>	-	<u>1,988</u>
Total Financial Reporting Entity	<u>\$ 107,445</u>	<u>301,263</u>	<u>299,738</u>	<u>108,970</u>	<u>1,737</u>	<u>110,707</u>

Composition of Cash

State Bank of Burrton, Checking \$ 110,707

NOTES TO FINANCIAL STATEMENT

December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Municipal Financial Reporting Entity

The Burrton Consolidated Fire District #5 is a municipality governed by an elected seven-member board. The District's territory includes parts of Harvey and Reno counties. The financial statement presents all funds that are administered and controlled by the Board.

Regulatory Basis Fund Types

General fund – used to account for all resources except those required to be accounted for in another fund.

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

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.

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The *Kansas Municipal Audit and Accounting Guide* (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 receipts 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 District 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 District to use the regulatory basis of accounting.

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) and bond and interest funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

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

NOTES TO FINANCIAL STATEMENT

December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts 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.

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 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 regulatory basis of accounting, in which regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for the prior year's accounts payable and encumbrances. Encumbrances are commitments by the District 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, and certain special purpose funds as noted in the presentation of the appropriate Schedule 2.

Spending in funds that 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

Management is not aware of any statutory violations occurring in the year ended December 31, 2017.

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 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.

Burrton Consolidated Fire District #5

NOTES TO FINANCIAL STATEMENT

December 31, 2017

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, except during "peak periods" when required coverage is 50%. The District has not designated peak periods. All deposits were legally secured at December 31, 2017.

At December 31, 2017, the District's carrying amount of deposits was \$110,707 and the bank balance was \$83,578. The balance was held by one bank resulting in a concentration of credit risk. The entire bank balance was covered by FDIC insurance at December 31, 2017.

4. LONG-TERM DEBT

Changes in long-term liabilities 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 Bond:									
Series 2013	2.668%	05/08/13	\$ 1,200,000	09/01/33	\$ 1,060,000	-	50,000	1,010,000	28,278
Lease Purchases:									
Standby Generator	3.750%	02/01/15	\$ 55,000	02/01/19	32,970	-	10,588	22,382	1,236
Equipment-Radios	3.250%	07/01/15	\$ 121,580	07/01/19	72,898	-	23,526	49,372	2,369
					105,868	-	34,114	71,754	3,605
Total contractual indebtedness					\$ 1,165,868	-	84,114	1,081,754	31,883

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

	Year ending December 31								
	2018	2019	2020	2021	2022	2023 - 2027	2028 - 2032	2033	Total
Principal									
General Obligation Bond	\$ 55,000	55,000	55,000	55,000	55,000	300,000	355,000	80,000	1,010,000
Lease purchases	35,276	36,478	-	-	-	-	-	-	71,754
Total principal	90,276	91,478	55,000	55,000	55,000	300,000	355,000	80,000	1,081,754
Interest									
General Obligation Bond	27,678	26,907	26,028	25,037	23,938	97,200	48,262	2,600	277,650
Lease purchases	2,444	1,242	-	-	-	-	-	-	3,686
Total interest	30,122	28,149	26,028	25,037	23,938	97,200	48,262	2,600	281,336
Total principal and interest	\$ 120,398	119,627	81,028	80,037	78,938	397,200	403,262	82,600	1,363,090

Burrton Consolidated Fire District #5

NOTES TO FINANCIAL STATEMENT

December 31, 2017

5. OPERATING LEASE

The District has entered into a lease agreement for a copier for a period of up to 63 months. Payments, including overage charges of \$575 were made in 2017. Future scheduled payments, not including overage charges, to maturity are as follows:

2018	\$	1,199
2019		1,199
2020		1,199
2021		1,199
2022		1,000

6. INTERFUND TRANSFERS

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Regulatory Authority</u>	<u>Amount</u>
General	Fire Equipment Reserve	K.S.A. 12-1,117	<u>\$ 20,000</u>

7. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and volunteers; and natural disasters. The District has purchased commercial insurance for these potential risks. There has been no significant reduction in insurance coverage from 2016 to 2017 and there were no settlements that exceeded insurance coverage in the past three years.

During the ordinary course of its operations the District is a party to various claims, legal actions and complaints. It is the opinion of the District's management and legal counsel that these matters are not anticipated to have a material financial impact on the District.

8. DATE OF MANAGEMENT'S REVIEW

Management has performed an analysis of the activities and transactions subsequent to December 31, 2017, to determine the need for any adjustments to and/or disclosures within the audited financial statements. Management has performed their analysis through August 10, 2018, which is the date at which the financial statement was available to be issued.

BURRTON CONSOLIDATED FIRE DISTRICT #5
REGULATORY – REQUIRED
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017

Burrton Consolidated Fire District #5

SUMMARY OF EXPENDITURES – ACTUAL AND BUDGET

Regulatory Basis

For the Year Ended December 31, 2017

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
General Fund	\$ 150,220	-	150,220	149,869	(351)
Special Purpose Fund					
EMS Fund	46,100	-	46,100	46,100	-
Bond & Interest Fund	<u>78,278</u>	<u>-</u>	<u>78,278</u>	<u>78,278</u>	<u>-</u>
Expenditures subject to current budget	<u>\$ 274,598</u>	<u>-</u>	<u>274,598</u>	<u>274,247</u>	<u>(351)</u>

Burrton Consolidated Fire District #5

General FundSCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET
Regulatory BasisFor the Year Ended December 31, 2017
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	Prior Year Actual	Current Year		Variance Over Under (Under)
		Actual	Budget	
RECEIPTS				
Ad valorem property tax	\$ 107,159	132,576	134,649	(2,073)
Delinquent tax	1,457	2,266	1,300	966
Vehicle tax	6,319	9,048	9,770	(722)
Recreational vehicle tax	105	181	144	37
16/20M vehicle tax	213	201	249	(48)
Reimbursements	6,579	331	6,438	(6,107)
Miscellaneous income	85	1,133	-	1,133
Total receipts	<u>121,917</u>	<u>145,736</u>	<u>152,550</u>	<u>(6,814)</u>
EXPENDITURES				
Personnel services	-	15,224	20,000	(4,776)
Contractual services	8,967	9,008	4,000	5,008
Commodities and supplies	30,142	33,584	30,000	3,584
Utilities	11,861	11,401	11,500	(99)
Insurance	13,593	14,886	14,000	886
Capital outlay	35,166	45,766	65,720	(19,954)
Transfer to				
Fire Equipment Reserve Fund	-	20,000	5,000	15,000
Bond and Interest Fund	2,600	-	-	-
Total expenditures	<u>102,329</u>	<u>149,869</u>	<u>150,220</u>	<u>(351)</u>
Receipts over (under) expenditures	19,588	(4,133)		
UNENCUMBERED CASH, beginning	<u>3,898</u>	<u>23,486</u>		
UNENCUMBERED CASH, ending	<u>\$ 23,486</u>	<u>19,353</u>		

Burrton Consolidated Fire District #5

Special Purpose FundsSCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET
Regulatory BasisFor the Year Ended December 31, 2017
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	
<u>EMS FUND</u>				
RECEIPTS				
County appropriations	\$ 40,185	40,370	41,000	(630)
Grants	-	2,300	-	2,300
Service fees	1,649	10,673	1,000	9,673
Miscellaneous income	71	278	-	278
Total receipts	<u>41,905</u>	<u>53,621</u>	<u>42,000</u>	<u>11,621</u>
EXPENDITURES				
Personnel services	-	-	15,000	(15,000)
Commodities	12,959	14,701	13,000	1,701
Contractual	9,204	19,912	11,000	8,912
Utilities	626	684	700	(16)
Capital outlay	27,797	10,803	1,400	9,403
Transfer to EMS Equipment Reserve Fund	-	-	5,000	(5,000)
Total expenditures	<u>50,586</u>	<u>46,100</u>	<u>46,100</u>	<u>-</u>
Receipts over (under) expenditures	(8,681)	7,521		
UNENCUMBERED CASH, beginning	<u>32,217</u>	<u>23,536</u>		
UNENCUMBERED CASH, ending	<u>\$ 23,536</u>	<u>31,057</u>		

Burrton Consolidated Fire District #5

Special Purpose FundsSCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL
Regulatory BasisFor the Year Ended December 31, 2017
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	<u>2016</u>	<u>2017</u>
<u>EMS EQUIPMENT RESERVE FUND</u>		
RECEIPTS		
Donations	\$ 1,010	130
EXPENDITURES		
Capital outlay	<u>-</u>	<u>4,243</u>
Receipts over (under) expenditures	1,010	(4,113)
UNENCUMBERED CASH, beginning	<u>33,749</u>	<u>34,759</u>
UNENCUMBERED CASH, ending	<u>\$ 34,759</u>	<u>30,646</u>
<u>FIRE EQUIPMENT RESERVE FUND</u>		
RECEIPTS		
Grant	\$ 3,938	-
Interest income	70	-
Other	6,809	1,517
Transfer from General	<u>-</u>	<u>20,000</u>
Total receipts	<u>10,817</u>	<u>21,517</u>
EXPENDITURES		
Capital outlay	<u>-</u>	<u>21,248</u>
Receipts over (under) expenditures	10,817	269
UNENCUMBERED CASH, beginning	<u>14,840</u>	<u>25,657</u>
UNENCUMBERED CASH, ending	<u>\$ 25,657</u>	<u>25,926</u>

Burrton Consolidated Fire District #5

Bond and Interest FundSCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET
Regulatory BasisFor the Year Ended December 31, 2017
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
RECEIPTS				
Ad valorem property tax	\$ 46,792	73,354	74,485	(1,131)
Delinquent tax	956	1,194	1,000	194
Motor vehicle tax	6,787	5,711	4,633	1,078
Transfer from General	<u>2,600</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>57,135</u>	<u>80,259</u>	<u>80,118</u>	<u>141</u>
EXPENDITURES				
Bond principal	50,000	50,000	50,000	-
Interest	<u>28,778</u>	<u>28,278</u>	<u>28,278</u>	<u>-</u>
	<u>78,778</u>	<u>78,278</u>	<u>78,278</u>	<u>-</u>
Receipts over (under) expenditures	(21,643)	1,981		
UNENCUMBERED CASH, beginning	<u>21,650</u>	<u>7</u>		
UNENCUMBERED CASH, ending	<u>\$ 7</u>	<u>1,988</u>		