

BUTLER COUNTY FIRE DISTRICT #10

BURNS, KANSAS

Financial Statement

For the Year Ended December 31, 2017

Butler County Fire District #10
For the Year Ended December 31, 2017

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Knudsen Monroe & Company LLC

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Butler County Fire District #10
Burns, Kansas 66840-8933

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Butler County Fire District #10, Burns, 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 that 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 August 9, 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 9, 2018

Butler County Fire District #10

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

Regulatory Basis

For the Year Ended December 31, 2017

<u>Funds</u>	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
General Fund	\$ -	163,539	99,787	63,752	-	63,752
Special Purpose Fund						
Fire Protection Reserve Fund	114,395	36,521	-	150,916	-	150,916
Bond and Interest Fund	<u>104,558</u>	<u>2,761</u>	<u>48,288</u>	<u>59,031</u>	<u>-</u>	<u>59,031</u>
Total Reporting Entity	<u>\$ 218,953</u>	<u>202,821</u>	<u>148,075</u>	<u>273,699</u>	<u>-</u>	<u>273,699</u>
Composition of Cash						
Community National Bank						
Checking Account						\$ 233,638
Certificates of Deposit						<u>40,061</u>
Total Reporting Entity						<u>\$ 273,699</u>

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

Butler County Fire District #10

NOTES TO FINANCIAL STATEMENT

December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Municipal Financial Reporting Entity

The Butler County Fire District #10 (District) is a municipality governed by an elected five-member board. The District's territory includes parts of Marion and Butler 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 and 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.

Butler County Fire District #10

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.

Reimbursements

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 KMAAG regulatory basis accounting.

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;

Butler County Fire District #10

NOTES TO FINANCIAL STATEMENT

December 31, 2017

3. DEPOSITS AND INVESTMENTS (Continued)

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.

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 carrying amount of the District’s deposits was \$273,699. The bank balance was \$288,666. The balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining value of \$38,666 was collateralized with securities held by the pledging financial institution’s agents in the District’s name.

4. LONG-TERM DEBT

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

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Maturity Date</u>	<u>Balance 12-31-16</u>	<u>Additions</u>	<u>Reductions Payments</u>	<u>Balance 12-31-17</u>	<u>Interest Paid</u>
General Obligation Bond									
Series 2013	3.125%	03/28/13	\$689,400	03/28/43	\$ 645,484	-	28,117	617,367	20,171
Lease Purchase									
Pumper Truck	4.630%	04/10/08	\$170,574	05/01/17	<u>19,868</u>	<u>-</u>	<u>19,868</u>	<u>-</u>	<u>920</u>
Total contractual indebtedness					<u>\$ 665,352</u>	<u>-</u>	<u>47,985</u>	<u>617,367</u>	<u>21,091</u>

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 - 2037	2038 - 2042	2043	Total
General Obligation Bond											
Series 2013											
Principal	\$ 16,068	16,570	17,037	17,621	18,171	99,689	116,245	135,631	158,200	22,135	617,367
Interest	<u>19,684</u>	<u>19,182</u>	<u>18,716</u>	<u>18,132</u>	<u>17,581</u>	<u>79,075</u>	<u>62,519</u>	<u>43,133</u>	<u>20,564</u>	<u>1,083</u>	<u>299,669</u>
Total Principal and Interest	<u>\$ 35,752</u>	<u>35,752</u>	<u>35,753</u>	<u>35,753</u>	<u>35,752</u>	<u>178,764</u>	<u>178,764</u>	<u>178,764</u>	<u>178,764</u>	<u>23,218</u>	<u>917,036</u>

Butler County Fire District #10

NOTES TO FINANCIAL STATEMENT

December 31, 2017

5. INTERFUND TRANSFERS

Operating transfer was as follows:

<u>From</u>	<u>To</u>	<u>Regulatory Authority</u>	<u>Amount</u>
General	Fire Protection Reserve	K.S.A. 19-3623e	<u>\$ 36,521</u>

6. 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 volunteers; and natural disasters. The District has purchased commercial insurance for these potential risks. There have been no significant reductions in insurance coverage from 2016 to 2017 and there were no settlements that exceeded insurance coverage in the past three years.

7. CLAIMS AND JUDGMENTS

The District is exposed to various risks of loss related to property loss; torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to 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 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 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 statement. Management has performed their analysis through August 9, 2018, which is the date the financial statement was available to be issued.

BUTLER COUNTY FIRE DISTRICT #10
REGULATORY – REQUIRED
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017

Butler County Fire District #10
 SUMMARY OF EXPENDITURES – ACTUAL AND BUDGET
 Regulatory Basis
 For the Year Ended December 31, 2017

<u>Funds</u>	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
General	\$ 99,787	-	99,787	99,787	-
Bond and Interest	<u>106,503</u>	<u>-</u>	<u>106,503</u>	<u>48,288</u>	<u>(58,215)</u>
Expenditures subject to current budget	<u>\$ 206,290</u>	<u>-</u>	<u>206,290</u>	<u>148,075</u>	<u>(58,215)</u>

Butler County Fire District #10

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 Prior Year Ended December 31, 2016)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
RECEIPTS				
Ad valorem property tax	\$ 58,553	93,631	95,970	(2,339)
Delinquent tax	1,542	1,277	1,500	(223)
Vehicle tax	3,613	4,909	4,031	878
Recreational vehicle tax	70	110	81	29
16/20M vehicle tax	771	1,112	802	310
Interest income	128	134	50	84
Miscellaneous income	5	61,866	-	61,866
Donations and other income	650	500	-	500
Transfer from Fire Protection Reserve	508	-	-	-
Total receipts	<u>65,840</u>	<u>163,539</u>	<u>102,434</u>	<u>61,105</u>
EXPENDITURES				
Contractual services	26,901	26,843	28,000	(1,157)
Commodities and supplies	5,628	9,752	7,000	2,752
Vehicle maintenance	12,088	5,815	14,000	(8,185)
Capital outlay	436	68	10,000	(9,932)
Lease-purchase equipment	18,990	19,868	20,787	(919)
Interest	1,797	920	-	920
Transfer to Fire Protection Reserve	-	36,521	20,000	16,521
Total expenditures	<u>65,840</u>	<u>99,787</u>	<u>99,787</u>	<u>-</u>
Receipts over (under) expenditures	-	63,752		
UNENCUMBERED CASH, beginning	<u>-</u>	<u>-</u>		
UNENCUMBERED CASH, ending	<u>\$ -</u>	<u>63,752</u>		

Butler County Fire District #10

Special Purpose Fund

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL
Regulatory Basis

For 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>FIRE PROTECTION RESERVE FUND</u>		
RECEIPTS		
Transfer from General	\$ -	<u>36,521</u>
EXPENDITURES		
Capital outlay	18,913	-
Transfer to General	<u>508</u>	-
Total expenditures	<u>19,421</u>	<u>-</u>
Receipts over (under) expenditures	(19,421)	36,521
UNENCUMBERED CASH, beginning	<u>133,816</u>	<u>114,395</u>
UNENCUMBERED CASH, ending	<u>\$ 114,395</u>	<u>150,916</u>

Butler County Fire District #10

Bond and Interest FundSCHEDULE 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)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
RECEIPTS				
Ad valorem property tax	\$ 130,704	-	-	-
Delinquent tax	3,134	273	-	273
Vehicle tax	5,491	2,054	3,183	(1,129)
Recreational vehicle tax	85	33	56	(23)
16/20M vehicle tax	840	401	336	65
Total receipts	<u>140,254</u>	<u>2,761</u>	<u>3,575</u>	<u>(814)</u>
EXPENDITURES				
Bond principal	15,054	28,117	15,582	12,535
Interest	20,642	20,171	20,171	-
Cash basis reserve	-	-	70,750	(70,750)
Total expenditures	<u>35,696</u>	<u>48,288</u>	<u>106,503</u>	<u>(58,215)</u>
Receipts over (under) expenditures	104,558	(45,527)		
UNENCUMBERED CASH, beginning	-	104,558		
UNENCUMBERED CASH, ending	<u>\$ 104,558</u>	<u>59,031</u>		