

BUTLER COUNTY FIRE DISTRICT NO. 8
(A COMPONENT UNIT OF BUTLER COUNTY, KANSAS)

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2011

George, Bowerman & Noel, P.A.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Butler County Fire District No. 8
Douglass, Kansas

We have audited the accompanying financial statements of the governmental activities and each major fund of the Butler County Fire District No. 8 (Fire District), Douglass, Kansas, a component unit of Butler County Kansas, as of and for the year ended December 31, 2011, which collectively comprise the Fire District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Fire District's management. Our responsibility is to express an opinion 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 *Kansas Municipal Audit Guide*. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 Butler County Fire District No. 8, Douglass, Kansas, as of December 31, 2011, and the respective changes in financial position thereof and the respective budgetary comparison for the General and Debt Service Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of content, 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.

George, Bowlerman & Noel, P.A.

Wichita, Kansas
January 29, 2013

BUTLER COUNTY FIRE DISTRICT NO. 8
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2011

As management of Butler County Fire District No. 8, Douglass, Kansas, we offer readers of the Fire District's financial statements this narrative overview and analysis of the financial activities of the Fire District for the fiscal year ended December 31, 2011.

FINANCIAL HIGHLIGHTS

- The assets of Butler County Fire District No. 8 exceeded its liabilities at the close of the most recent fiscal year by \$618,360 (net assets). Of this amount, \$6,949 (unrestricted net assets) may be used to meet the Fire District's ongoing obligations to citizens and creditors in accordance with the Fire District's fiscal policies.
- The Fire District's total net assets increased by \$14,758 during the current fiscal year.
- As of the close of the current fiscal year, the Fire District's governmental funds reported combined ending fund balances of \$71,542. \$9,093 of this amount is unassigned and available for use within the Fire District's designation and policies.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$9,093 or 7% of the total General Fund expenditures for 2011.
- The Fire District's total debt decreased by \$93,647 (19 percent) during the current fiscal year. This decrease was the result of principal payments of \$33,000 and \$60,647 related to general obligation bonds and capital lease obligations, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Fire District's basic financial statements. The Fire District's basic financial statements are comprised of 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 broad overview of the Fire District's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Fire District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Fire District is improving or deteriorating.

The Statement of Activities presents information showing how the Fire District’s net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for certain items that will only result in cash flows in the future fiscal periods (e.g., accrued but not paid interest on long-term debt).

Both of the government-wide financial statements present the functions of the Fire District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Fire District include general administrative operations, operation and maintenance of building and equipment, interest on indebtedness and depreciation on building and equipment.

The government-wide financial statements can be found on pages 8 – 9 of this report.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Fire District, like other state and local governments, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Fire District are governmental funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating an entity’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the Fire District’s near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statements of revenues, expenditures, and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Fire District maintains three governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Special Equipment and Debt Service funds, all of which are considered major funds.

The basic governmental fund financial statements can be found on pages 10 – 16 of this report.

Notes to the Financial Statements – The notes 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 17 – 26 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. In the case of the Fire District, assets exceeded liabilities by \$618,360 as of December 31, 2011.

The largest portion of the Fire District's net assets (89%) reflects its investments in capital assets (e.g., buildings and machinery and equipment), less any debt used to acquire those assets that is still outstanding. The Fire District uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the Fire District's investment in 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 assets themselves cannot be used to liquidate these liabilities.

BUTLER COUNTY FIRE DISTRICT NO. 8's NET ASSETS

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 228,747	\$ 314,737
Capital assets	<u>960,242</u>	<u>954,565</u>
Total assets	<u>1,188,989</u>	<u>1,269,302</u>
Long-term liabilities	411,280	504,927
Other liabilities	<u>159,349</u>	<u>160,773</u>
Total liabilities	<u>570,629</u>	<u>665,700</u>
Net assets:		
Invested in capital assets, net of related debt	548,962	484,825
Restricted for acquisition of capital assets	62,449	35,187
Unrestricted	<u>6,949</u>	<u>83,590</u>
Total net assets	<u>\$ 618,360</u>	<u>\$ 603,602</u>

The balance of unrestricted net assets of \$6,949 may be used to meet the Fire District's ongoing obligation to citizens and creditors.

Analysis of the Fire District's operations – The following table provides a summary of the Fire District's operations for the year ended December 31, 2011, with comparative amounts for the year ended December 31, 2010. The Fire District's net assets increased by \$14,758 for 2011. This represents a 2% increase in net assets.

BUTLER COUNTY FIRE DISTRICT NO. 8's CHANGES IN NET ASSETS

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues:		
Charges for services	\$ –	\$ 177
Operating grants and contributions	1,372	3,395
Capital grants and contributions	2,815	–
General revenues:		
Property taxes	181,520	180,893
Use of money and property	<u>362</u>	<u>500</u>
Total revenues	<u>186,069</u>	<u>184,965</u>
Expenses:		
General administration	33,401	29,481
Building and grounds maintenance	1,456	2,302
Vehicle and equipment maintenance	19,063	16,963
Depreciation	100,947	85,848
Interest on long-term debt	<u>16,444</u>	<u>15,708</u>
Total expenses	<u>171,311</u>	<u>150,302</u>
Increase in net assets	14,758	34,663
Net assets at beginning of year	<u>603,602</u>	<u>568,939</u>
Net assets at end of year	<u>\$ 618,360</u>	<u>\$ 603,602</u>

Total revenues increased by \$1,104 for 2011 primarily due to an increase in property taxes of \$627 and capital grants and contributions of \$2,815. Operating grants and contributions decreased by \$2,023.

Total expenses increased by \$21,009 in 2011 with depreciation expense contributing to \$15,099 of this increase. The depreciation expense increase can be attributed to the acquisition of over \$200,000 in new equipment in the past two years. General administration expenses increased by \$3,920, which can primarily be attributed to an increase in education and training expenses of \$3,580 from 2010. Vehicle and equipment maintenance expenses increased by \$2,100 for 2011 with fuel costs increasing by \$3,405 for 2011. Interest on long-term debt increased by \$736 due to a new capital lease during 2010.

FINANCIAL ANALYSIS OF THE FIRE DISTRICT'S FUNDS

Governmental funds – The focus of the Fire District's funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Fire District's financing requirements. In particular, unassigned fund balance may

serve as a useful measure of the Fire District's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Fire District's governmental funds reported combined ending fund balances of \$71,542. 13% of this total constitutes unassigned fund balance.

In the General Fund, total revenues decreased by \$8,775, which can be attributed to a decrease in taxes of \$9,433 and increases in other revenues of \$639. Expenditures increased by \$22,538 as the result of increased debt service commitments under capital leases of \$30,947. All other expenditure categories combined for a decrease of \$8,409. The General Fund also transferred \$43,533 to the Special Equipment Fund during 2011 compared to \$44,348 for 2010.

The Special Equipment fund balance decreased for 2011 by \$52,901 due to proceeds from a capital lease obligation received during 2010 and increased capital purchases from the fund during 2011 of \$10,368.

The Debt Service Fund revenues from taxes and expenditures for debt service were the same amounts during 2011, or \$34,011. Due to a revenue shortfall, the General Fund absorbed \$4,567 of general obligation debt service during 2011.

General Fund Budgetary Highlights – The General Fund total actual revenues were less than the budgeted amounts by \$1,625 and was 99% of the total amount anticipated in the 2011 budget. Actual expenditures totaled \$181,001, which represented 113% of the legal budgeted expenditures for 2011. Actual capital outlays were less than the amount budgeted by \$37,032 however; the amount transferred to the Special Equipment Fund was \$43,533, which is a non-anticipated budgeted expenditure. As a result, the General Fund balance at year-end decreased \$32,004 compared to the prior year.

CAPITAL ASSETS

The Fire District's investment in capital assets for its governmental activities as of December 31, 2011 amounts to \$960,242 (net of accumulated depreciation). The investment in capital assets includes buildings and improvements, machinery and equipment. Acquisitions of capital assets during 2011 totaled \$106,624. Major capital asset events during the current fiscal year included the following:

- Final payment on a 2011 International rescue truck of \$86,119.
- Power upgrades for the 2011 International rescue truck of \$7,093.
- Firefighter protection equipment of motion detector devises costing \$6,283.
- Firefighting equipment comprised of chain saws and fire hoses totaling \$1,803.
- Radio and communications equipment totaling \$2,634.
- Acquisition of an Automated Exterior Defibrillator at a cost of \$2,054.

**Capital Assets at Year-End
Net of Accumulated Depreciation**

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Buildings and improvements	\$ 316,585	\$ 326,205
Machinery and equipment	64,716	76,278
Vehicles	578,941	552,082
Total	\$ 960,242	\$ 954,565

Additional information on the Fire District's capital assets can be found in Note 3 to the financial statements included in this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the Fire District had total long-term debt obligations for outstanding general obligation bonds of \$166,000 and \$245,280 under capital lease arrangements. During the current year, \$33,000 principal on the general obligation bonds and \$60,647 principal on capital leases were retired.

Additional information on the Fire District's long-term debt can be found in Note 4 to the financial statements included in this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In the 2012 budget, the General Fund expenditures are budgeted with only a \$1,810 increase over the 2011 budget, which equates to a 1.13% increase. Certified assessed valuations, on which the Fire District's tax revenues are derived, decreased \$61,724, or approximately .38%, to a total of \$16,175,106 for the 2012 budget year. With the small increase in the General Fund anticipated expenditures for 2012 and the relatively flat certified assessed valuations allowed the General Fund mill levy rate to increase a minimal .024 mills for 2012 to 8.030 mills compared to 8.006 mills for 2011. The Debt Service Fund mill levy decreased .025 mills for 2012 to 1.961 compared to 1.986 mills for the 2011 budget. One mill equates to \$1 for every \$1,000 of assessed valuation for property located within the Fire District.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, investors and creditors with a General overview of the Fire District's finances. If you have questions about this report or need any additional information, contact the Butler County Fire District No. 8, at 108 S. Forrest, P.O. Box 37, Douglass, Kansas 67039, or call (316) 747-3097.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

BUTLER COUNTY FIRE DISTRICT NO. 8

STATEMENT OF NET ASSETS

December 31, 2011

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and investments	\$ 71,542
Property taxes receivable	157,205
Capital assets:	
Facilities and equipment, net	<u>960,242</u>
 Total Assets	 <u>1,188,989</u>
<u>LIABILITIES</u>	
Accrued interest payable	2,144
Unearned revenues	157,205
Noncurrent liabilities:	
Due within one year	95,099
Due in more than one year	<u>316,181</u>
 Total Liabilities	 <u>570,629</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	548,962
Restricted for acquisition of capital assets	62,449
Unrestricted	<u>6,949</u>
 Total Net Assets	 <u>\$ 618,360</u>

The accompanying notes are an integral part of the financial statements.

BUTLER COUNTY FIRE DISTRICT NO. 8

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Governmental Activities:					
General administration	\$ 33,401	\$ -	\$ 1,372	\$ -	\$ (32,029)
Building and grounds maintenance	1,456	-	-	-	(1,456)
Vehicle and equipment maintenance	19,063	-	-	2,815	(16,248)
Depreciation	100,947	-	-	-	(100,947)
Interest on long-term debt	<u>16,444</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,444)</u>
Total Governmental Activities	<u>\$ 171,311</u>	<u>\$ -</u>	<u>\$ 1,372</u>	<u>\$ 2,815</u>	<u>(167,124)</u>
General Revenues:					
General property taxes levied for:					
					147,509
					34,011
					<u>362</u>
					<u>181,882</u>
					14,758
					<u>603,602</u>
					<u>\$ 618,360</u>

The accompanying notes are an integral
part of the financial statements.

FUND FINANCIAL STATEMENTS

BUTLER COUNTY FIRE DISTRICT NO. 8

BALANCE SHEET

GOVERNMENTAL FUNDS

December 31, 2011

	<u>General</u>	<u>Special Equipment</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and investments	\$ 9,093	\$ 62,449	\$ -	\$ 71,542
Property taxes receivable	<u>126,356</u>	<u>-</u>	<u>30,849</u>	<u>157,205</u>
Total assets and other debits	<u>\$ 135,449</u>	<u>\$ 62,449</u>	<u>\$ 30,849</u>	<u>\$ 228,747</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Unearned revenue	<u>126,356</u>	<u>-</u>	<u>30,849</u>	<u>157,205</u>
Total liabilities	<u>126,356</u>	<u>-</u>	<u>30,849</u>	<u>157,205</u>
Fund balances:				
Restricted for equipment acquisitions	-	62,449	-	62,449
Unassigned	<u>9,093</u>	<u>-</u>	<u>-</u>	<u>9,093</u>
Total fund balances	<u>9,093</u>	<u>62,449</u>	<u>-</u>	<u>71,542</u>
Total liabilities and fund balances	<u>\$ 135,449</u>	<u>\$ 62,449</u>	<u>\$ 30,849</u>	<u>\$ 228,747</u>

The accompanying notes are an integral
part of the financial statements.

BUTLER COUNTY FIRE DISTRICT NO. 8

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**

December 31, 2011

Total Governmental Fund Balances \$ 71,542

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported
in the funds:

Capital assets, at cost	\$ 1,757,119
Accumulated depreciation	<u>(796,877)</u>

Capital assets 960,242

Long-term liabilities are not due and payable in the
current period and therefore are not reported
in the funds:

Accrued interest payable	\$ 2,144
General obligation bonds payable	166,000
Capital lease obligations payable	<u>245,280</u>

(413,424)

Net Assets of Governmental Activities \$ 618,360

The accompanying notes are an integral
part of the financial statements.

BUTLER COUNTY FIRE DISTRICT NO. 8

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUNDS**

Year ended December 31, 2011

	<u>General</u>	<u>Special Equipment</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 147,509	\$ -	\$ 34,011	\$ 181,520
Intergovernmental	73	2,427	-	2,500
Interest	43	319	-	362
Other	<u>1,372</u>	<u>315</u>	<u>-</u>	<u>1,687</u>
Total revenues	<u>148,997</u>	<u>3,061</u>	<u>34,011</u>	<u>186,069</u>
Expenditures:				
Contractual services	39,653	-	-	39,653
Commodities	4,725	-	-	4,725
Capital outlay	8,153	99,495	-	107,648
Vehicle expenditures	8,518	-	-	8,518
Debt service	<u>76,419</u>	<u>-</u>	<u>34,011</u>	<u>110,430</u>
Total expenditures	<u>137,468</u>	<u>99,495</u>	<u>34,011</u>	<u>270,974</u>
Revenues over (under) expenditures	<u>11,529</u>	<u>(96,434)</u>	<u>-</u>	<u>(84,905)</u>
Other financing sources (uses):				
Transfers in	-	43,533	-	43,533
Transfers out	<u>(43,533)</u>	<u>-</u>	<u>-</u>	<u>(43,533)</u>
Total other financing sources (uses)	<u>(43,533)</u>	<u>43,533</u>	<u>-</u>	<u>-</u>
Expenditures and other financing uses over revenues and other financing sources	(32,004)	(52,901)	-	(84,905)
Fund balances, beginning of year	<u>41,097</u>	<u>115,350</u>	<u>-</u>	<u>156,447</u>
Fund balances, end of year	<u>\$ 9,093</u>	<u>\$ 62,449</u>	<u>\$ -</u>	<u>\$ 71,542</u>

The accompanying notes are an integral part of the financial statements.

BUTLER COUNTY FIRE DISTRICT NO. 8

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2011

Net Change in Fund Balances – Total Governmental Funds \$ (84,905)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 106,624
Depreciation	<u>(100,947)</u>

Capital outlay over depreciation	5,677
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In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. 339

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current period these amounts are:

General obligation bonds	33,000
Capital lease obligations	<u>60,647</u>
	<u>93,647</u>

Change in Net Assets of Governmental Activities \$ 14,758

The accompanying notes are an integral part of the financial statements.

BUTLER COUNTY FIRE DISTRICT NO. 8

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – BUDGET BASIS**

Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget - Positive <u>(Negative)</u>
Revenues:				
Taxes	\$ 150,622	\$ 150,622	\$ 147,509	\$ (3,113)
Intergovernmental	–	–	73	73
Reimbursed expenditures	–	–	685	685
Interest	–	–	43	43
Other	–	–	687	687
	<u>150,622</u>	<u>150,622</u>	<u>148,997</u>	<u>(1,625)</u>
Total revenues				
Expenditures and encumbrances:				
Contractual services	42,950	42,950	39,653	3,297
Commodities	7,575	7,575	4,725	2,850
Capital outlay	45,185	45,185	8,153	37,032
Vehicle expenditures	9,000	9,000	8,518	482
Debt service	56,130	56,130	76,419	(20,289)
Transfers out	–	–	43,533	(43,533)
	<u>160,840</u>	<u>160,840</u>	<u>181,001</u>	<u>(20,161)</u>
Total expenditures and encumbrances				
Expenditures and encumbrances over revenues	(10,218)	(10,218)	(32,004)	(21,786)
Fund balance, beginning of year	<u>10,218</u>	<u>10,218</u>	<u>41,097</u>	<u>30,879</u>
Fund balance, end of year	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 9,093</u>	<u>\$ 9,093</u>

The accompanying notes are an integral
part of the financial statements.

BUTLER COUNTY FIRE DISTRICT NO. 8

DEBT SERVICE FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – BUDGET BASIS**

Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget -
				Positive
				<u>(Negative)</u>
Revenues:				
Taxes	\$ <u>34,578</u>	\$ <u>34,578</u>	\$ <u>34,011</u>	\$ <u>(567)</u>
Expenditures:				
Bond principal	29,000	29,000	33,000	(4,000)
Bond interest and commission	<u>5,578</u>	<u>5,578</u>	<u>1,011</u>	<u>4,567</u>
Total expenditures	<u>34,578</u>	<u>34,578</u>	<u>34,011</u>	<u>567</u>
Revenues over (under) expenditures	—	—	—	—
Fund balance, beginning of year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The accompanying notes are an integral
part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

BUTLER COUNTY FIRE DISTRICT NO. 8

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Butler County Fire District No. 8 (Fire District) is a component unit of Butler County, Kansas. A five-member board of trustees appointed by the Butler County Commissioners governs the District.

Butler County Fire District No. 8 was formed in 1979 pursuant to K.S.A. 19-3606, et. seq., and is staffed by volunteer firefighters. Pursuant to K.S.A. 19-3612a, the Butler County Commissioners issued a resolution dated December 14, 1999, appointing a Fire District Board of Trustees to assume many of the duties previously handled by the Butler County Commissioners. This includes receiving, expending and having custody of all funds of the District, except for bonded debt expenditures which shall continue to be paid from the District budget by Butler County, and maintaining complete records of revenue and expenditures.

Basis of Presentation

The financial statements of the Fire District have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles.

The Fire District's basic financial statements include both government-wide, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Fire District as a whole. The statement of net assets presents the financial condition of the governmental activities of the Fire District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Fire District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include (1) charges paid by the recipient for goods or services or privileges provided by a given function or activity and (2) grants and contributions that are restricted to meeting the operational or capital

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues. 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 Fire District.

Fund Financial Statements

During the year, the Fire District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Fire District at a more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is reported in a separate column.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fire District considers property tax revenues to be available in the period for which levied and other revenues if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Interest and charges for services associated with the current fiscal period are considered susceptible to accrual and so have been recognized as revenues of the current period.

The Fire District reports the following major governmental funds:

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

Special Equipment fund – established pursuant to Kansas law to account for revenue and expenditures for the acquisition of fire fighting equipment, machinery or land and buildings to be used for fire fighting purposes.

Debt Service fund – to account for all resources and expenditures of principal and interest on general obligation bonds of the Fire District.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Investments

Cash and investments maintained by the Fire District consist of interest bearing checking accounts. During 2011, cash for certain Fire District funds were maintained by Butler County in the Fire District's designated funds. The County maintains a cash and investment pool that is available for use by all funds. The pool has the general characteristics of demand deposit accounts in that each fund may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty. The pooled cash is invested by the County to the extent available in authorized investments. The Fire District had \$7,312 cash and investments held by Butler County at December 31, 2011. Cash and investments are carried at cost, which approximates fair value. Additional cash and investment disclosures are presented at Note 2.

Property Taxes Receivable

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and are levied and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20th during the year levied with the balance to be paid on or before May 10th of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. At December 31 such taxes are a lien on the property and are recorded as taxes receivable, net of anticipated delinquencies, with a corresponding amount recorded as deferred revenue on the financial statements of the General and Debt Service Funds.

It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the year and, further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

Capital Assets

Capital assets, which includes buildings, property under capital lease obligations, and equipment are capitalized at total acquisition cost, provided such amounts exceed \$500 and have a useful life of more than one year. Such assets are reported at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are reported at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is recorded on all depreciable capital assets on a straight-line basis over the following estimated useful lives:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

<u>Asset</u>	<u>Years</u>
Buildings and improvements	25 – 50
Machinery and equipment	5 – 15
Vehicles	10 – 20

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, capital lease obligations that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

Risk Management

The Fire 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 natural disasters. The Fire District carries commercial insurance for all risks of loss. There were no significant reductions in coverage from prior years and claims resulting from these risks have not exceeded commercial coverage in any of the past three years.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets 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. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Fire District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Fire District's policy is to apply restricted net assets first.

Fund balance classifications

The fund balances of the governmental fund types can include the following classifications:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted – constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority (the Board of Trustees). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the governing body itself, or (b) a body (such as a budget or finance committee) or official (Fire Chief) to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

Unassigned – the amount that is the residual after amounts have been restricted, committed or assigned to specific purposes.

When expenditures are incurred for purposes that include committed, assigned and unassigned amounts, the committed amounts are reduced first, followed by assigned amounts and then unassigned amounts.

Budgetary Principles

The Fire District is required by State statute to adopt annual budgets for the general, special revenue and debt service funds (unless specifically exempted by statute) on or before August 25 for the ensuing year. The Special Equipment fund is specifically exempted from legally adopted budgetary requirements. 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 the local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
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.

Budgeted revenue and expenditure amounts represent the original budget adopted by the Board of Trustees. Kansas statutes permit transferring budgeted amounts from one object or purpose to another within the same fund; however, such statutes prohibit creating expenditures in excess of the total amount of the adopted budget of expenditures of

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

individual funds. Management has the authority to exceed line item budgets however; total fund expenditures cannot exceed the adopted budget of expenditures of individual funds. There were no amendments to the originally adopted budgets during 2011.

Applicable Kansas statutes require the use of an encumbrance system as a management control technique to assist in controlling expenditures. For budgetary purposes, encumbrances of the budgeted governmental fund types, representing purchase orders, contracts and other commitments, are reported as a charge to the current year budget. All unencumbered appropriations lapse at the end of the year except for the capital project fund appropriations which are carried forward until such time as the project is completed or terminated. There were no material outstanding encumbrances of the District at December 31, 2011. For budget purposes, unencumbered cash balances are determined by deducting liabilities and encumbrances from cash.

At December 31, 2011 there were no differences in the fund balances for the individual funds reported in conformity with generally accepted accounting principals and the unencumbered cash balances for such funds reported on the budgetary basis of accounting.

2. CASH AND INVESTMENTS

Deposits

K.S.A. 9-1401 establishes the depositories which may be used by the Fire District. The statute requires banks eligible to hold the Fire District's funds have a main or branch bank in the county in which the Fire 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 Federal Depository Insurance Corporation (FDIC) coverage. The Fire District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Fire 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 Fire 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 Fire District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The Fire District's allocation of deposits and investments as of December 31, 2011, is as follows:

2. CASH AND INVESTMENTS (continued)

<u>Investments</u>	<u>Percentage of Investments</u>
CornerBank N.A., Douglass, Kansas – interest bearing deposits	100%

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of bank failure, the Fire District's deposits may not be returned to it. State statutes require the Fire District's deposits in financial institutions to be entirely covered by FDIC 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.

At year-end, the carrying amount of the Fire District's deposits was \$71,542 which represented cash and investments held by the District of \$64,230 and \$7,312 investments held by the Butler County Treasurer in a cash and investment pool at year-end. The pool has the same characteristics of demand deposit accounts, in that, funds may be deposited or withdrawn from the pool at any time without prior notice or penalty. The pooled cash is invested to the extent available in authorized investments.

The carrying amount of the Fire District held cash and investments at December 31, 2011 were \$64,230 and the bank balances were \$63,913. The Fire District bank balances were entirely covered by federal depository insurance coverage at December 31, 2011.

3. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

	<u>Balance January 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2011</u>
Governmental Activities:				
Capital assets being				
Depreciated:				
Buildings and				
improvements	\$ 442,714	\$ -	\$ -	\$ 442,714
Machinery and				
equipment	<u>1,210,781</u>	<u>106,624</u>	<u>3,000</u>	<u>1,314,405</u>
Total assets				
being				
depreciated	<u>1,653,495</u>	<u>106,624</u>	<u>3,000</u>	<u>1,757,119</u>

3. CHANGES IN CAPITAL ASSETS (continued)

	Balance January 1, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2011</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 116,509	\$ 9,620	\$ -	\$ 126,129
Machinery and Equipment	<u>582,421</u>	<u>91,327</u>	<u>3,000</u>	<u>670,748</u>
Total accumulated depreciation	<u>698,930</u>	<u>100,947</u>	<u>3,000</u>	<u>796,877</u>
Total capital assets, net	<u>\$ 954,565</u>	<u>\$ 5,677</u>	<u>\$ -</u>	<u>\$ 960,242</u>

Due to the nature of the Fire District's operations, depreciation expense is not charged to functions/programs.

4. LONG-TERM DEBT

The following is a summary of changes in long-term debt of the Fire District for the year ended December 31, 2011:

	Capitalized Lease Obligations <u>Payable</u>	General Obligation Bonds <u>Payable</u>	Total Long-Term <u>Debt</u>
Beginning of year	\$ 305,927	\$ 199,000	\$ 504,927
Additions	-	-	-
Principal retirement	<u>(60,647)</u>	<u>(33,000)</u>	<u>(93,647)</u>
End of year	<u>\$ 245,280</u>	<u>\$ 166,000</u>	<u>\$ 411,280</u>
Amount due within one year	<u>\$ 63,099</u>	<u>\$ 32,000</u>	<u>\$ 95,099</u>

General Obligation Bonds

During 2009, the Fire District issued \$228,000 of General Obligation Refunding Bonds Series A 2009 to advance refund its outstanding General Obligation Bonds Series 1996 in

4. LONG-TERM DEBT (continued)

the amount of \$220,000. The general obligation refunding bonds are serial bonds issued in the original principal amount of \$228,000 to be retired through 2016. At December 31, 2011 the bonds consist of the following:

	<u>Interest Rates</u>	<u>Amount</u>
Fire District No. 8, Butler County, Kansas General Obligation Refunding Bonds Series A, issued July 15, 2009	1.7 – 3.5%	\$ 166,000

Remaining debt service requirements for the general obligation refunding bonds will be repaid from the debt service fund with future property tax revenues. Annual debt service requirements to maturity for general obligation bonds to be retired from the debt service fund as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 32,000	\$ 4,917	\$ 36,917
2013	31,000	4,198	35,198
2014	35,000	3,345	38,345
2015	34,000	2,295	36,295
2016	<u>34,000</u>	<u>1,190</u>	<u>35,190</u>
	<u>\$ 166,000</u>	<u>\$ 15,945</u>	<u>\$ 181,945</u>

Capital Lease Obligations

During 2010, the Fire District entered into a lease purchase agreement with its financial institution for the purchase of a new rescue truck. The lease agreement provides for quarterly payments in the amount of \$6,595, including interest, through November 2015.

During 2005, the Fire District entered into a lease purchase agreement with a financing institution for the purchase of a new pumper truck. The lease agreement provides for quarterly payments in the amount of \$11,368, including interest, through June 2015.

These leases qualify as capital leases for accounting purposes and, accordingly, have been recorded at the present value of the minimum lease payments at the date of the lease inception. The cost of the leased equipment at December 31, 2011 is \$581,524 and the accumulated depreciation is \$157,760.

The annual requirements to amortize the capital lease obligations outstanding at December 31, 2011, including interest payments, is as follows:

4. LONG-TERM DEBT (continued)

<u>Year ending December 31,</u>	<u>Amount</u>
2012	\$ 71,852
2013	71,852
2014	71,852
2015	<u>49,116</u>
Total minimum lease payments	264,672
Less amounts representing interest	<u>(19,392)</u>
Present value of net minimum lease payments	<u>\$ 245,280</u>

The lease payments are being financed from the Fire District's General Fund.

5. COMPLIANCE WITH KANSAS LAW

Kansas statutes (K.S.A. 79-3249) prohibit expenditures in excess of the adopted budget of individual funds. During 2011, the expenditures of the General Fund exceeded its adopted budget in the amount of \$20,161.

6. SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through January 29, 2013, which is the date the financial statements were available to be issued.