

**NORTHWEST CONSOLIDATED FIRE DISTRICT
JOHNSON COUNTY, KANSAS**

**Financial Statements for the
Year Ended December 31, 2011
and Independent Auditors' Report**

**NORTHWEST CONSOLIDATED FIRE DISTRICT
JOHNSON COUNTY, KANSAS**

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statement of Net Assets	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5-9
SUPPLEMENTAL INFORMATION:	
Schedule of Personnel Costs	10

INDEPENDENT AUDITORS' REPORT

Board of Directors and Members
Northwest Consolidated Fire District
Johnson County, Kansas

We have audited the accompanying statement of net assets of Northwest Consolidated Fire District, Johnson County, Kansas (the "District") as of December 31, 2011, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except for the following, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit Guide (KMAG). 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.

The District has elected not to adopt the provisions of the Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In our opinion, except for the above, the financial statements referred to above present fairly, in all material respects, the financial position of Northwest Consolidated Fire District as of December 31, 2011, and its statements of activities and changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The supplemental schedules for the year ended December 31, 2011, listed in the foregoing table of contents are not necessary for a fair presentation of the financial statements, but are presented as additional analytical data. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Acord Cox & Co.

June 11, 2013

**NORTHWEST CONSOLIDATED FIRE DISTRICT
JOHNSON COUNTY, KANSAS**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 342,216
Prepaid insurance	<u>14,333</u>
Total current assets	356,549

DEFERRED COMPENSATION PLAN ASSETS 155,379

PROPERTY PLANT & EQUIPMENT, NET 728,868

DEBT ISSUE COSTS, NET 1,592

\$ 1,242,388

LIABILITIES

CURRENT LIABILITIES

Current portion of long-term debt	90,000
Accounts payable	4,221
Other accrued liabilities	<u>36,570</u>
Total current liabilities	130,791

DEFERRED COMPENSATION PLAN OBLIGATIONS 155,379

LONG-TERM DEBT, LESS CURRENT PORTION 185,000

Total liabilities 471,170

NET ASSETS

Unrestricted net assets 771,218

\$ 1,242,388

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

**NORTHWEST CONSOLIDATED FIRE DISTRICT
JOHNSON COUNTY, KS**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2011**

REVENUE AND SUPPORT

Intergovernmental	\$ 1,288,612
Fees	90,000
	<u>1,378,612</u>

OPERATING EXPENSE

Depreciation and amortization	88,128
Personnel costs	941,636
Repairs and maintenance	37,553
Insurance	17,532
Utilities	35,333
Administrative and professional	26,593
Equipment and clothing	3,761
Transition expense	17,309
Miscellaneous	391
	<u>1,168,236</u>

**EXCESS OPERATING REVENUE AND SUPPORT OVER
OPERATING EXPENSE**

210,376

OTHER INCOME (EXPENSE)

Interest income	1,240
Interest expense	(14,335)
	<u>(13,095)</u>

CHANGE IN NET ASSETS

197,281

NET ASSETS, BEGINNING OF YEAR

573,937

NET ASSETS, END OF YEAR

\$ 771,218

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

**NORTHWEST CONSOLIDATED FIRE DISTRICT
JOHNSON COUNTY, KANSAS**

**STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2011**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 197,281
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation and amortization	88,128
Changes in operating assets and liabilities:	
Prepaid insurance and other current assets	(312)
Accounts payable and accrued liabilities	<u>11,139</u>
Net cash provided by operating activities	<u>296,236</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property, plant, and equipment	<u>(15,641)</u>
Net cash used in investing activities	<u>(15,641)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payment on long-term debt	<u>(85,000)</u>
Net cash used in financing activities	<u>(85,000)</u>
NET CHANGE IN CASH	195,595
CASH, BEGINNING OF YEAR	<u>146,621</u>
CASH, END OF YEAR	<u><u>\$ 342,216</u></u>

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

**NORTHWEST CONSOLIDATED FIRE DISTRICT
JOHNSON COUNTY, KANSAS**

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 30, 2011**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Organization and Nature of Operations – The Northwest Consolidated Fire District (District) was established as a tax-exempt organization to provide fire protection and education to those residents and businesses located within the District. Effective January 1, 2010 the District, comprised of Johnson County Rural Fire District No. 3 and the City of Desoto, merged their operations. Upon the merger, Johnson County Rural Fire District No. 3 and City of DeSoto transferred all real and personal property and terminated agreements for the employee benefit plans, including healthcare plans, deferred or defined benefits.
- b. Budgetary Information – Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. 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 1.
 2. Publication in local newspaper of the proposed budget and notice of public hearing on the Budget, on or before August 5.
 3. Public hearing, on or before August 15 but at least ten days after publication of notice of hearing.
 4. Adoption of the final budget, on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the year ended December 31, 2011.

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 statements 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 modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital project funds.

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

- c. Cash and Cash Equivalents – The District considers highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.
- d. Property, Plant, and Equipment – Property, plant, and equipment is stated at cost less accumulated depreciation. Depreciation is calculated using straight-line method over the estimated useful lives of the assets.
- e. Income Taxes – The District is exempt from federal and state income taxes. Uncertain tax provisions, if any, are recorded in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, Income Taxes, which require the recognition of a liability for tax positions taken that do not meet the more-likely-than-not standard that the position will be sustained upon examination by the taxing authorities. There is no liability for uncertain tax positions recorded at December 31, 2011. The Districts' open examination periods are 2008 and forward.
- f. Use of Estimates – In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates made by management include, but are not limited to, estimates of the useful lives of property and equipment. Actual results could differ from those estimates.
- g. Debt Issue Costs – Costs related to the issuance of the District's debt have been capitalized and are being amortized on a straight-line basis over the term of the debt.
- h. Subsequent Events – Management has evaluated subsequent events through June 11, 2013, the date which the financial statements were available for issue.

2. PROPERTY, PLANT, AND EQUIPMENT

The Districts' Property, Plant, and Equipment consisted of the following at December 31, 2011:

Land	\$	28,508
Building		891,506
Trucks and autos		1,267,741
Equipment		334,170
Office furniture and equipment		<u>26,865</u>
		2,548,790
Less accumulated depreciation		<u>1,819,922</u>
		<u>728,868</u>
Depreciation expense	\$	<u>87,420</u>

3. CASH AND INVESTMENTS

At December 31, 2011, the District's deposits were covered by federal depository insurance or by collateral held by the District's agent in the District's name. Cash and investments at December 31, 2011 are as follows:

Cash and cash equivalents:

First National Bank of Olathe - checking	\$	240,642
First National Bank of Olathe - money market		<u>101,574</u>
	\$	<u>342,216</u>

4. DEFERRED COMPENSATION PLAN

Employees of the District may participate in a deferred compensation plan adopted under the provision of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

The deferred compensation plan is available to all employees of the District. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amounts held by the financial institution until paid or made available to the employees or beneficiaries are the property of the District subject only to the claims of the District's general creditors. In addition, the participants in the plan have rights equal to those of the general creditors of the District, and each participant's rights are equal to his or her share of the fair market value of the plan assets. The District believes that it is unlikely that plan assets will be needed to satisfy claims of general creditors that might arise.

As part of its fiduciary role, the District has an obligation of due care in selecting the third-party administrator.

5. CONTRACTS

The District entered into contracts with Sunflower Redevelopment, LLC to provide fire and emergency services for the Sunflower Army Ammunition Plant. Sunflower Redevelopment, LLC will pay \$137,500 for fifteen months or \$9,167 per month. The contract was effective October 1, 2001 and expired December 31, 2002. A new contract was accepted for 2003 and for 2004 at the same amount per month and expired December 31, 2004. During 2005 the District continued with Sunflower Redevelopment LLC on a month-to-month basis at the rate of \$7,500 per month through November. Effective May 1, 2006, the District entered into a new two year contract to provide fire and emergency service for \$60,000 for each 12 month term in the contract. The contract expired April 30, 2008. A new contract was accepted for May 1, 2008 through December 31, 2008 and for 2009. The payment for 2010 was \$90,000 and for 2009 the amount of payment was \$72,333. A new contract was made on January 1, 2011 that terminates on December 31, 2011. The payment for 2011 is \$90,000.

6. COMPLIANCE WITH KANSAS STATUTES

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and the legal representatives of the District. There were no apparent statutory violations during the year ended December 31, 2011.

7. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, and injuries to employees. The District manages these various risks of loss through insurance policies through Dougan Insurance Group.

8. OTHER ACCRUED LIABILITIES

Accrued wages	\$	33,369
Accrued interest		2,750
457 plan payable		451
	\$	<u>36,570</u>

9. LONG-TERM DEBT

In March 2004, the District issued Fire Fighting Equipment Bonds, Series 2004, in the amount of \$800,000 (\$275,000 outstanding at December 31, 2011) bearing interest at rates ranging from 2.75% to 3.40% with principal and interest due serially through September 1, 2014. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from ad valorem taxes which may be levied without limitations as to rate or amount upon all taxable tangible property, real and personal, within the territorial limits of the District. The proceeds were used to retire the Municipal Temporary Note, Series 2003-1, due on April 1, 2004.

Rollforward of long term debt for 2011:

	Beginning Balance	Advances	Payments	Ending Balance	Current Portion
Series 2004	\$ <u>360,000</u>	\$ <u> </u>	\$ <u>85,000</u>	\$ <u>275,000</u>	\$ <u>90,000</u>

Maturities of the bonds payable subsequent December 31, 2011 are as follows:

	Principal	Interest	Total
2012	\$ 90,000	\$ 9,035	\$ 99,035
2013	90,000	6,200	96,200
2014	<u>95,000</u>	<u>3,230</u>	<u>98,230</u>
	\$ 275,000	\$ <u>18,465</u>	\$ <u>293,465</u>
Less Current Portion	<u>90,000</u>		
	\$ <u>185,000</u>		

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**NORTHWEST CONSOLIDATED FIRE DISTRICT
JOHNSON COUNTY, KANSAS**

**SCHEDULE OF PERSONNEL COSTS
YEAR ENDED DECEMBER 31, 2011**

Firefighter salaries	\$ 715,833
Volunteer Pay	6,681
Overtime	28,563
Bonus	2,450
Insurance	90,989
Payroll Taxes	24,160
Retirement	<u>72,960</u>
	<u>\$ 941,636</u>