

INDEPENDENCE FIRE DISTRICT

FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

**INDEPENDENCE FIRE DISTRICT
ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2022**

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INDEPENDENCE FIRE DISTRICT

BOARD OF COMMISSIONERS

For the Year Ended June 30, 2022

Board of Commissioners

<u>Chairman</u>	<u>Term Expires</u>
Bill Egelston	July 2024
<u>Treasurer</u>	
Gerald Cook	July 2022
<u>Secretary</u>	
Josh Cox	July 2023
<u>Board Members</u>	
Arthur Anderson	July 2024
Dan Richman	July 2025
Richard Messignschlager	July 2023
Jason Stewart	July 2022

INDEPENDENT AUDITOR'S REPORT

**To the Board of Commissioners
Independence Fire District
Independence, Kentucky**

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Independence Fire District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Independence Fire District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Independence Fire District as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with accounting standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Independence Fire District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Independence Fire District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Independence Fire District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Independence Fire District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis*, the budgetary comparison schedule, and the *Multiple Employer, Cost Sharing, Defined Benefit Pension and OPEB Plan* disclosures be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 the 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 23, 2022, on our consideration of the Independence Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the Independence Fire District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Independence Fire District's internal control over financial reporting and compliance.

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.

Erlanger, Kentucky
December 23, 2022

**Independence Fire District
Management's Discussion and Analysis
For the Year Ended June 30, 2022**

As Management of the Independence Fire District we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District as of and for the year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements and supplementary information beginning on page 8.

Fiscal Year 2021-2022 Financial Highlights

Government-wide:

- The liabilities of the District exceeded the assets at June 30, 2022, by \$7,398,861 (net position).
- Net position increased by \$157,932.
- Unrestricted net position is (\$11,501,623). The increase in fund balance the District experienced in operations is offset by the inclusion of pension reporting for GASB 68 and 75 (noted on page 7 and elsewhere in the financial statements).

Overview of the Financial Statements

Management's Discussion and Analysis serves as an introduction to the District's basic financial statements comprised of the government-wide financial statements and fund financial statements. These two sets of financial statements provide the reader with two viewpoints of the District's financial activity and financial position.

Government-wide Financial Statements are designed to provide readers with a broad overview of the Independence Fire District's finances, in a manner similar to private-sector business. These statements can be found on pages 8-9 of this report.

Statement of Net Position – presents information on the District as a whole, including all the District's capital assets and long-term liabilities. The difference in the District's assets and liabilities is reported as net position.

Statement of Activities – presents the current year's revenues and expenses and other information showing how the District's net position changed during the year. The change in net position is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement will impact cash flows in future fiscal years.

Fund Financial Statements typically report the District's operations in more detail than the government-wide statements and measure only current revenues, expenses and fund balances. Fund financial statements report purchases of capital assets and payments on debt as an expense in the fund; proceeds from loans are reported as an "other financing source".

Government-Wide Financial Analysis

Net position serves as a useful indicator of the Fire District's financial position. The table below presents an analysis of the District's net position as of June 30, 2022, in comparison to the previous fiscal year ending June 30, 2021.

Statement of Net Position

	June 30, 2022	June 30, 2021
Assets		
Current and other assets	\$ 3,534,343	\$ 3,134,726
Capital assets	4,220,070	4,391,217
Deferred outflows of resources	3,411,955	3,127,147
Total Assets and Deferred Outflows of Resources	<u>11,166,368</u>	<u>10,653,090</u>
Liabilities		
Other liabilities	332,283	345,224
Long term liabilities	15,274,059	16,524,256
Deferred inflows of resources	2,958,887	1,340,403
Total Liabilities and Deferred Inflows of Resources	<u>18,565,229</u>	<u>18,209,883</u>
Net Position		
Net investment in capital assets	4,102,762	4,069,999
Restricted for equipment replacement	-	26,882
Unrestricted	(11,501,623)	(11,653,674)
Total Net Position	<u>\$ (7,398,861)</u>	<u>\$ (7,556,793)</u>

Net Investment in Capital Assets – \$4,102,762 of the District's net position is fixed assets less depreciation and debt compared to \$4,069,999 for fiscal year ending June 30, 2021. Increases and reductions to Net Investment in Capital Assets are by acquisitions, depreciation expense and changes in debt during the year.

Unrestricted – the District's unrestricted net position at June 30, 2021 is (\$11,501,623). Without the net effect of the \$14,703,683 GASB 68 pension liability and GASB 75 OPEB liability, unrestricted net position would be \$3,202,060 the amount available to meet the District's ongoing obligations compared to \$2,762,651 for the fiscal year ending June 30, 2021.

Statement of Activities

	June 30, 2022	June 30, 2021
General Revenues		
Tax assessments	\$ 5,364,730	\$ 5,005,507
Intergovernmental grants	290,392	1,021,214
Charges for services	787,169	620,717
Other revenues	19,112	27,055
Total General Revenues	6,461,403	6,674,493
Expenditures		
Operating	6,303,471	7,135,671
Total Expenditures	6,303,471	7,135,671
Increase (decrease) of revenues over (under) expenditures	157,932	(461,178)
Net position, beginning	(7,556,793)	(7,095,615)
Net position, ending	\$ (7,398,861)	\$ (7,556,793)

Revenues – primarily are generated by taxes assessed on real, personal and motor vehicle values and charges for ambulance services. Intergovernmental grants include monies received from the state of Kentucky. Overall revenues decreased 3% during the fiscal year due to CARES funding that was received in the prior year. Revenues excluding intergovernmental grants increased 9% during the fiscal year.

Expenditures – the District’s operating expenditures decreased 11.6% from fiscal year ending June 30, 2021.

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 independence Fire District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Independence Fire District uses only one governmental fund, the General Fund.

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 near-term inflows and outflows 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 a government’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 impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Independence Fire District maintains one governmental fund. 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 fund.

The Independence Fire District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 10-11 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 13-29 of this report.

Pension and Post Employment Benefit Liabilities

The Independence Fire District is required, by Governmental Accounting Standards Board Statements No. 68 and No. 75, to display its proportionate share of the unfunded liability of the Kentucky Retirement System's County Employee Retirement System (CERS), multiple employer, cost sharing, defined benefit pension and other post-employment benefits (OPEB) plans, in which the Independence Fire District is a participant. Due to these requirements, a FY 2022 net pension and OPEB liability of \$15,156,751 was recognized in the government-wide statement of net position. This liability, along with its related deferred outflows and inflows of resources, contributed to a net \$287,389 increase of pension and OPEB expenses in the statement of activities. Detailed information on these pension and OPEB recognitions can be found in Note 5 in the Notes to the Financial Statements and in the *Required Supplementary Information – Multiple Employer, Cost Sharing, Defined Benefit Pension and Post-Employment Benefits (OPEB) Plans Disclosure*.

Contacting the Fire Authority's Financial Management

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the Independence Fire District's finances and to show accountability for the money it receives. If you have any questions about this report or need additional information, contact the Treasurer at Independence Fire District, 1980 Delaware Crossing, Independence, KY 41051.

INDEPENDENCE FIRE DISTRICT STATEMENT OF NET POSITION June 30, 2022

	Governmental Activities
ASSETS	
Cash	\$ 3,365,580
Taxes receivable	60,913
Accounts receivable	58,969
Intergovernmental receivable	48,881
Capital assets, net of depreciation	4,220,070
TOTAL ASSETS	<u>7,754,413</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow of resources related to pensions and OPEB	3,411,955
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>3,411,955</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>11,166,368</u>
LIABILITIES	
Accounts payable	144,402
Compensated absences	187,881
Net pension and OPEB liability	15,156,751
Long-term liabilities:	
Due within one year	102,889
Due in more than one year	14,419
TOTAL LIABILITIES	<u>15,606,342</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow of resources related to pensions and OPEB	2,958,887
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>18,565,229</u>
NET POSITION	
Net investment in capital assets	4,102,762
Unrestricted	<u>(11,501,623)</u>
TOTAL NET POSITION	<u>\$ (7,398,861)</u>

INDEPENDENCE FIRE DISTRICT STATEMENT OF ACTIVITIES For the Year Ended June 30, 2022
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Functions/Programs	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary Government				
General government	\$ 5,750,820	\$ 787,169	\$ 290,392	\$ (4,673,259)
Unallocated depreciation	265,261	-	-	(265,261)
Unallocated pension/OPEB	287,390	-	-	(287,390)
Total	<u>6,303,471</u>	<u>787,169</u>	<u>290,392</u>	<u>(5,225,910)</u>
Total Primary Government	<u>\$ 6,303,471</u>	<u>\$ 787,169</u>	<u>\$ 290,392</u>	<u>(5,225,910)</u>
		General revenues		
		Property and other taxes		5,364,730
		Investment income		3,489
		Other revenues		15,623
		Total general revenues		<u>5,383,842</u>
		Change in net position		157,932
		Net position, beginning		(7,556,793)
		Net position, ending		<u>\$ (7,398,861)</u>

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

INDEPENDENCE FIRE DISTRICT BALANCE SHEET - GOVERNMENTAL FUNDS June 30, 2022
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	Total General Fund
ASSETS	
Cash and cash equivalents	\$ 3,365,580
Taxes receivable	60,913
Accounts receivable	58,969
Intergovernmental receivable	48,881
TOTAL ASSETS	\$ 3,534,343
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	\$ 144,402
FUND BALANCES	
Restricted	48,881
Unassigned	3,341,060
TOTAL GOVERNMENTAL FUND BALANCES	3,389,941
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,534,343
Reconciliation of Fund Balances to the Statement of Net Position	
Total Fund Balance for Governmental Funds	\$ 3,389,941
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	4,220,070
Long-term liabilities are not due and payable in current period and therefore are not included in the funds	
Long-term debt	(117,308)
Compensated absences	(187,881)
Net pension liability	(11,625,756)
Net OPEB liability	(3,530,995)
Deferred outflows related to pension	1,968,621
Deferred outflows related to OPEB	1,443,334
Deferred inflows related to pension	(1,719,544)
Deferred inflows related to OPEB	(1,239,343)
Net Position of Governmental Activities	\$ (7,398,861)

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

INDEPENDENCE FIRE DISTRICT STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS For the Year Ended June 30, 2022
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	General Fund
REVENUES	
Taxes	\$ 5,364,730
Charges for services	787,169
Intergovernmental	226,173
Grants and contributions	64,219
Investment earnings	3,489
Other	15,620
TOTAL REVENUES	<u>6,461,400</u>
EXPENDITURES	
General government	5,735,820
Capital expenditures	94,112
Debt service	
Principal	203,910
Interest	6,575
TOTAL EXPENDITURES	<u>6,040,417</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>420,983</u>
OTHER FINANCING SOURCES	
Proceeds from loan	-
NET CHANGE IN FUND BALANCE	420,983
FUND BALANCE, BEGINNING OF YEAR	2,968,958
FUND BALANCE, END OF YEAR	<u>\$ 3,389,941</u>

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

<p>INDEPENDENCE FIRE DISTRICT RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2022</p>

Net change in fund balances - total governmental funds \$ 420,983

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 costs of those assets are allocated over their estimated useful lives as depreciation expense:

Depreciation expense	(265,261)
Capital purchases	94,112

Expenses reported in the statement of activities that do not require current financial resources are not reported as expenses in the funds

Compensated absences	(8,422)
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Governmental funds report District pension contributions as expenditures.

However, in the statement of activities, the cost of pension benefits earned net of employer contributions is reported as pension expense

Cost of benefits earned - pension	(226,000)
Cost of benefits earned - OPEB	(61,390)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

203,910

Change in net position of governmental activities	\$ 157,932
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The accompanying notes are an integral part of these financial statements.

INDEPENDENCE FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

Independence Fire District (District) was established under KRS Chapter 75 to provide fire protection for Independence County, Kentucky. The District receives revenue from the office of the Sheriff of Kenton County from the collection of taxes assessed on real and personal property values, motor vehicle values and collection of corporation franchise fees within its district. The District is not included in any other governmental reporting entity, because Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. The District is exempt from federal and state income taxes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The financial statements include all the funds and activity of the primary government. The primary government consists of all the organizations, activities, and functions that are not legally separate from the District. The District has no component units or entities for which the government is considered to be financially accountable.

Basis of Presentation

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

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for all of the non-fiduciary activities of the primary government. Generally, the effect of inter-fund activity has been removed from these statements.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expense and program revenues associated with a distinct functional activity. Program revenues include: charges for services, and other charges to users of the District's services; operating grants and contributions which finance annual operating activities including restricted investment income; and capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions on the program uses. Other revenue sources not properly included with program revenues are reported as general revenues.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditures.

Fund Financial Statements

Fund financial statements, as applicable, are provided for governmental funds.

INDEPENDENCE FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

Fund Types

The accounts of the District are organized into funds, which are considered to be separate accounting entities. The District's funds are described below; the District has just one fund.

Governmental Funds

Governmental funds are accounted for using the current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period. The District uses one governmental fund, the general fund.

Property taxes are the District's primary source of revenue and are levied on qualifying property. Property tax revenues are recognized when they become levied. No allowance for uncollectible receivable is considered necessary. On January 1, the bill become delinquent and penalties and interest may be assessed by the District. A lien may be placed on the property on January 1.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District maintains its books, records and accounts on the modified cash basis of accounting. Under this basis, fees receivable and revenue are recorded as income when collected rather than when earned and expenses are recorded when paid rather than when incurred. The accompanying financial statements are prepared on the modified accrual basis and therefore present the District's assets and liabilities resulting from accrual transactions and its revenue earned and expenses incurred, rather than revenue collected and expenses paid. These statements also include a provision for depreciation of buildings, improvements and equipment.

The government-wide financial statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues when grantor eligibility requirements are met.

The 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 to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Fire Authority considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only in the year when payment is due. Major revenue sources where accrual is most likely to occur include grants and charges for services.

Principal operating expenses are the costs of providing public safety services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Total fund balance of the governmental fund is classified as *unassigned*, which is all residual funds not included in non-spendable, committed, restricted, or assigned fund balances.

INDEPENDENCE FIRE DISTRICT NOTES TO THE FINANCIAL STATEMENTS June 30, 2022

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

Budgets

The District is required by state law to adopt annual budgets for the General Fund and submit to the Kenton County Fiscal Court. Each budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. The budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by expense category and may not legally exceed budgeted appropriations at the function level. Section 65A.080 of the Kentucky Revised Statutes prohibits expenditures in excess of budgeted amounts and prohibits budgeting of appropriations in excess of revenues.

The District uses the following procedures and policies in establishing budgetary data reflected in the financial statements:

- 1) Prior to June 1, the Chief submits to the Board of Trustees a proposed operating budget for the fiscal year beginning the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted by the Board.
- 4) The Chief is required by Kentucky Revised Statutes to present a quarterly report to the Board of Trustees explaining any variance from the approved budget.
- 5) Appropriations continue in effect until a new budget is adopted.
- 6) The Board of Trustees may authorize supplemental appropriations during the year.

Cash Equivalents

For the purpose of the statement of net position and balance sheet presentation, the District considers all unrestricted highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk

Financial instruments that potentially subject the District to concentrations of credit risk consist principally of temporary cash investments.

INDEPENDENCE FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

The District maintains deposits with the financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times.

As of June 30, 2022, The District's deposits are entirely insured and/or collateralized with securities held on the District's behalf.

Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the government funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Improvements are capitalized if value is added and the life of the asset is materially extended; the costs of normal maintenance and repairs are expensed in the current period.

Depreciation

All reported capital assets are depreciated, except land. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives

Buildings	40 years
Vehicles	5-10 years
Equipment	5-10 years

Federal Income Tax

Per KRS 75.010 through KRS 750.030 of the Kentucky Revised Statutes the District is a political subdivision of the State of Kentucky and is exempt from federal and state income taxes.

Investment Income

Investment income is reported when earned and is considered available for unrestricted purpose unless specifically restricted by the board of trustees.

Donated Services

Donated services are normally reflected as revenue in the financial statements at the estimated value of the services received with a corresponding charge to expense. No amounts are reflected for donated services unless an objective basis is available to measure the value of such services.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employee Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported to CERS. For this purpose, benefit

INDEPENDENCE FIRE DISTRICT NOTES TO THE FINANCIAL STATEMENTS June 30, 2022

payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Post-Employment Health Insurance Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employee Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported to CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

NOTE 2 – CAPITAL ASSETS AND DEPRECIATION

	Balance at June 30, 2021	Additions	Deletions	Balance at June 30, 2022
Capital assets				
Land	\$ 220,000	\$ -	\$ -	\$ 220,000
Buildings	4,307,666	12,250	-	4,319,916
Vehicles	2,789,467	-	-	2,789,467
Equipment	947,198	81,862	-	1,029,060
Total capital assets	<u>8,264,331</u>	<u>94,112</u>	<u>-</u>	<u>8,358,443</u>
Less accumulated depreciation for:				
Buildings	1,968,921	107,588	-	2,076,509
Vehicles	1,266,843	107,287	-	1,374,130
Equipment	637,348	50,386	-	687,734
Total accumulated depreciation	<u>3,873,112</u>	<u>265,261</u>	<u>-</u>	<u>4,138,373</u>
Capital assets, net	<u>\$ 4,391,219</u>	<u>\$ (171,149)</u>	<u>\$ -</u>	<u>\$ 4,220,070</u>

During fiscal year 2022, depreciation was charged to governmental function as follows:

General government	\$265,261
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NOTE 3 – COMPENSATED ABSENCES

The District reports compensated absences in accordance with GASB Statement No. 16, Accounting for Compensated Absences. It is the District's policy to permit employees to accumulate earned but unused vacation pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service. All vacation pay is accrued when earned in the government-wide financial statements. At June 30, 2022 accrued vacation pay is \$187,881.

INDEPENDENCE FIRE DISTRICT NOTES TO THE FINANCIAL STATEMENTS June 30, 2022

NOTE 4 – LONG TERM DEBT

Cox Road Station Lease – In fiscal year 2012, the District entered into a lease agreement for \$851,266 with Fifth Third Bank to refinance the outstanding lease on the Cox Road Fire Station. The lease is payable in monthly installments of \$7,918 for 15 years and carries an interest rate of 2.26%. Final payment is due in June 2022. The loan is secured by the firehouse property. Principal and interest paid in fiscal year 2022 was \$93,868 and \$1,152 respectively. This loan is paid in full at June 30, 2022.

Pumper Lease - On August 31, 2018, the District entered into a lease agreement with Fifth Third Bank to borrow \$264,810 to assist with the purchase of a pumper fire truck. The lease is payable in monthly installments of \$4,835 for 5 years and carries an interest rate of 3.65%. The lease is secured by the truck. Principal and interest paid in fiscal year 2022 is \$54,357 and \$3,665, respectively. The balance of this loan was \$70,793 at June 30, 2022; final payment will be September 2023. Total cost of the pumper, which was delivered in September 2019, was \$452,571.

Pumper Lease - On March 20, 2021, the District entered into a lease agreement with De Lage Landen Public Finance LLC to borrow \$522,136 to assist with the purchase of a pumper fire truck. The District made a down payment on the loan of \$400,000. The balance of the lease is payable in monthly installments of \$5,222.04 for 2 years and carries an interest rate of 2.40%. The lease is secured by the truck. Principal and interest paid in fiscal year 2022 is \$55,685 and \$1,758, respectively. The balance of this loan was \$46,515 at June 30, 2022; final payment will be March 2023. Total cost of the pumper was \$522,136.

A summary of the changes in the long-term debt obligations is as follows:

Debt Type	Balance at June 30, 2021	Additions	Deletions	Balance at June 30, 2022	Current Portion
2012 Fifth Third lease (Cox Road Firehouse)	\$ 93,868	\$ -	\$ (93,868)	\$ -	\$ -
2019 Fifth Third Lease (Pumper)	125,150	-	(54,357)	70,793	56,374
2021 De Lage Landen Lease (Pumper)	102,200	-	(55,685)	46,515	46,515
Total	<u>\$ 321,218</u>	<u>\$ -</u>	<u>\$ (203,910)</u>	<u>\$ 117,308</u>	<u>\$ 102,889</u>

The following is a schedule of future debt service requirements to maturity as of June 30, 2022:

Year	Principal	Interest	Total Debt Service
2023	\$ 102,889	\$ 2,131	\$ 105,020
2024	14,419	87	14,506
Total	<u>\$ 117,308</u>	<u>\$ 2,218</u>	<u>\$ 119,526</u>

INDEPENDENCE FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 5 – COUNTY EMPLOYEES’ RETIREMENT SYSTEM

Plan description – District employees are covered by CERS (County Employees’ Retirement System), a cost-sharing multiple-employer defined benefit pension and health insurance (Other Post-Employment Benefits; OPEB) plan administered by the Kentucky Public Pension Authority, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Public Pension Authority administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Public Pension Authority issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

The Plan is divided into both a **Pension Plan** and **Health Insurance Fund Plan** (Other Post-Employment Benefits; OPEB) and each plan is further sub-divided based on **Non-Hazardous** duty and **Hazardous** duty covered-employee classifications. The District has only Hazardous employees.

Membership in CERS consisted of the following at June 30, 2021:

	Non-Hazardous		Hazardous	
	Pension	OPEB	Pension	OPEB
Active Plan Members	81,250	80,745	10,452	9,340
Inactive Plan Members	95,692	29,208	3,590	877
Retired Members	65,414	37,037	9,419	7,366
	<u>242,356</u>	<u>146,990</u>	<u>23,461</u>	<u>17,583</u>
Number of participating employers		<u>1,139</u>		<u>266</u>

PENSION PLAN

Hazardous Pension Plan Description

Benefits Provided – CERS provides retirement, health insurance, death and disability benefits to Hazardous duty Plan employees and beneficiaries. Employees are vested in the Plan after five years of service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	At least one month of hazardous duty service credit and 55 years old, or any age with 20 years of service.
	Reduced retirement	15 years service and 50 years old
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years of hazardous duty service credit and 60 years old or any age with 25 years of service.
	Reduced retirement	15 years service and 50 years old
Tier 3	Participation date	On or after January 1, 2014
	Unreduced retirement	At least 5 years of hazardous duty service credit and 60 years old or 25 or more years of service, with no age requirement
	Reduced retirement	Not available

INDEPENDENCE FIRE DISTRICT NOTES TO THE FINANCIAL STATEMENTS June 30, 2022

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years of service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate or pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Contributions – Required pension contributions by the employee are based on the tier:

	Required Contribution
Tier 1	8%
Tier 2	8%
Tier 3	8%

Contributions

The District contributed 44.33% of covered-employee's compensation, of which 33.86% was for the pension fund and 10.47% was for the health insurance fund.

The District made all required contributions for the hazardous Plan pension obligation for the fiscal year in the amount of \$1,231,472, of which \$940,619 was for the pension fund and \$290,853 was for the health insurance fund.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the District reported a liability of \$11,625,756 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At the June 30, 2021 measurement year, the District's hazardous employer allocation proportion was 0.4367% of the total CERS hazardous duty employees. For the year ended June 30, 2022, the District recognized pension expense of \$226,000 in addition to its \$940,619 pension contribution.

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

INDEPENDENCE FIRE DISTRICT NOTES TO THE FINANCIAL STATEMENTS June 30, 2022

	Hazardous	
	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 320,600	\$ -
Net difference between projected actual earnings on plan investments	-	(1,248,049)
Changes of assumptions	145,203	-
Changes in proportion and differences between contributions and proportionate share of contributions	562,200	(471,495)
Contributions subsequent to the measurement date	940,619	-
	<u>\$ 1,968,622</u>	<u>\$ (1,719,544)</u>

The District's contributions subsequent to the measurement date of \$940,619 will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ending June 30,	Net Deferral
2022	\$ (76,896)
2023	(182,296)
2024	(119,202)
2025	(313,147)
2026	-
Thereafter	-
	<u>\$ (691,541)</u>

Actuarial Assumptions

The total pension liability, net pension liability, and sensitivity information are based on an actuarial valuation date of June 30, 2020. The total pension liability was rolled forward from the valuation date to the plan's fiscal year ending date of June 30, 2021 using generally accepted actuarial procedures.

The actuarially determined contribution effective for the fiscal year ending in 2021 is based on an actuarial valuation date of June 30, 2019, and was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percent of pay
Amortization period	30-year, closed period at June 30, 2019
Payroll growth rate	2.00%
Investment rate of return	6.25%

INDEPENDENCE FIRE DISTRICT NOTES TO THE FINANCIAL STATEMENTS June 30, 2022

Inflation	2.30%
Salary increases	3.30-10.30%, varies by service
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. The most recent analysis, performed for the period covering fiscal years 2013 through 2018, is outlined in a report dated April 30, 2019. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Changes of Assumptions

There have been no changes in actuarial assumptions since June 30, 2020.

Discount Rate

The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Plan Target Allocation

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

INDEPENDENCE FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

Asset Class	CERS Pensions (Haz & Non-Haz) Target Allocation	Long Term Expected Nominal Return
US equity	21.75%	5.70%
Non-US equity	21.75%	6.35%
Private equity	10.00%	9.70%
Specialty credit/high yield	15.00%	2.80%
Core bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Real estate	10.00%	5.40%
Real return	10.00%	4.55%
Total	100.00%	

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	Proportionate Share of Net Pension Liability		
	1% Decrease	Current Rate	1% Increase
	5.25%	6.25%	7.25%
Hazarous	\$ 14,818,639	\$ 11,625,756	\$ 9,023,569
Total	\$ 14,818,639	\$ 11,625,756	\$ 9,023,569

HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS

Hazardous OPEB Plan Description

Benefits Provided – CERS provides retirement, health insurance, death and disability benefits to hazardous duty Plan employees and beneficiaries. Health insurance coverage is provided through payment/partial payment of insurance premiums for both non-Medicare-eligible and Medicare-eligible retirees.

INDEPENDENCE FIRE DISTRICT NOTES TO THE FINANCIAL STATEMENTS June 30, 2022

Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0% 4-9 years service - 25% 10-14 years service - 50% 15-19 years service - 75% 20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	\$15/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$20.07 per month.
Tier 3	Participation date	On or after September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 180 months of service at retirement
	Member premium paid by the plan	\$15/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$20.07 per month.

Contributions – Required health insurance Plan contributions by the employee are based on the tier:

	<u>Required Contribution</u>
Tier 1	None
Tier 2	1%
Tier 3	1%

Contributions

Contribution requirements for covered employees and participating governmental entities are established and may be amended by the KPPA Trustees. The District contributed 10.47% of covered employees' compensation for the health insurance fund.

These contributions are actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2022, the District recognized OPEB expense of \$61,390 in addition to its \$290,853 OPEB contribution.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2022, the District reported a liability of \$3,530,995 as its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all governmental entities,

INDEPENDENCE FIRE DISTRICT NOTES TO THE FINANCIAL STATEMENTS June 30, 2022

actuarially determined. At the June 30, 2021 measurement year, the District's proportion of the total hazardous plan was 0.436702%.

In addition, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Hazardous	
	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 110,338	\$ (379,877)
Net difference between projected actual earnings on plan investments	-	(664,613)
Changes of assumptions	885,493	(1,319)
Changes in proportion and differences between contributions and proportionate share of contributions	156,650	(193,534)
Contributions subsequent to the measurement date	290,853	-
	<u>\$ 1,443,334</u>	<u>\$ (1,239,343)</u>

The District's contributions subsequent to the measurement date, \$290,853 for hazardous duty employees will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Measurement Year Ending June 30,	Net Deferral
2022	\$ (93,158)
2023	(2,666)
2024	(10,922)
2025	(82,945)
2026	102,829
Thereafter	-
	<u>\$ (86,862)</u>

Actuarial Assumptions

The total OPEB liability, net OPEB liability, and sensitivity information are based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year ending date of June 30, 2021 using generally accepted actuarial procedures.

The actuarially determined contribution effective for the fiscal year ending in 2021 is based on an actuarial valuation date of June 30, 2019 and was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal

INDEPENDENCE FIRE DISTRICT NOTES TO THE FINANCIAL STATEMENTS June 30, 2022

Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percent of pay
Amortization period	30-year, closed period at June 30, 2019
Payroll growth rate	2.00%
Investment rate of return	6.25%
Inflation	2.30%
Salary increases	3.30-10.30%, varies by service
Mortality	
Investment rate of return	6.25%, net of OPEB plan expense, including inflation,
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Healthcare trend rates (Pre-65):	Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Healthcare trend rates (Post-65):	Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

Changes of Assumptions

The discount rates used to calculate the total OPEB liability decreased from 5.34% to 5.05%. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2021 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. There were no other material assumption changes.

Discount Rate

The discount rate used to measure the total OPEB liability was 5.05% for the hazardous plan. The projection of cash flows used to determine the discount rate assumed that contributions from governmental entities will be made at contractually required rates, actuarially determined. Based on this assumption, the Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Plan Target Allocation

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

INDEPENDENCE FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

Asset Class	CERS Pensions (Haz & Non-Haz)	Long Term
	Target Allocation	Expected Nominal Return
US equity	21.75%	5.70%
Non-US equity	21.75%	6.35%
Private equity	10.00%	9.70%
Specialty credit/high yield	15.00%	2.80%
Core bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Real estate	10.00%	5.40%
Real return	10.00%	4.55%
Total	100.00%	

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the proportionate share of the net OPEB liability calculated using the discount rates of 5.05% for the hazardous plan, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Discount Rate, Hazardous	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Net OPEB liability, Hazardous	\$ 5,119,272	\$ 3,530,995	\$ 2,554,906
Total	\$ 5,119,272	\$ 3,530,995	\$ 2,554,906

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the proportionate share of the net OPEB liability, as well as what the proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Healthcare cost trend rate	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Net OPEB liability, hazardous	\$ 2,313,700	\$ 3,530,995	\$ 5,021,890
Total	\$ 2,313,700	\$ 3,530,995	\$ 5,021,890

Plan Fiduciary Net Position

Both the Pension Plan and the Health Insurance Plan issue publicly available financial report that include financial statements and required supplementary information, and detailed information about each Plan's fiduciary net position. These reports may be obtained, in writing, from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601.

INDEPENDENCE FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 6 – COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the District has incurred commitments and is contingently liable as a guarantor or endorser of notes and leases. In cases where losses are possible but not probable, it is the District's belief that their ultimate resolution will not have a material effect on the District's financial position as of June 30, 2022, or the results of its operations for the year then ended.

NOTE 7 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 87 – *Leases* – FY 2022

Statement No. 91 – *Conduit Debt Obligations* – FY 2023

Statement No. 92 – *Omnibus 2021* – FY 2022

Statement No. 93 – *Replacement of Interbank Offered Rates* – FY 2022

Statement No. 97 – *Component Unit Criteria for IRS Section 457 Deferred Comp. Plans* – FY 2022

NOTE 8 – FUTURE ACCOUNTING STANDARDS

Statement No. 94 – *Public-Private and Public-Public Partnerships* – FY 2023

Statement No. 96 – *Subscription-Based Information Technology Arrangements* – FY 2023

Statement No. 98 – *Annual Comprehensive Financial Report* – FY 2023

Statement No. 99 – *Omnibus 2022* – FY 2024

Statement No. 100 – *Accounting Changes and Error Corrections* – FY 2024

Statement No. 101 – *Compensated Absences* – FY 2025

NOTE 9 – RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The financial statements of the Independence Fire District were prepared in accordance with the comprehensive basis of accounting for organizations on the modified accrual basis. The integrity and consistency of these financial statements, and of other data presented in this report, are the responsibility of the District's trustees and may properly include some amounts that are based upon estimates and judgments.

The District is further responsible for maintaining a system of internal controls, including internal accounting control, which provides an appropriate division of responsibility and is designed to assure that the books and records reflect the transactions of the District and that its established policies and procedures are carefully followed. The system is constantly reviewed for its effectiveness and is augmented by written policies and guidelines, and the careful selection and training of qualified personnel.

INDEPENDENCE FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 10 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 23, 2022, the date the financial statements were issued. No significant events have occurred through this date requiring adjustment to the financial statement or disclosures.

INDEPENDENCE FIRE DISTRICT BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL - GENERAL FUND For the Year Ended June 30, 2022
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	Budgeted Amounts			Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Revisions	Final		
Budgetary fund balance, July 1	\$ 2,446,822	\$ -	\$ 2,446,822	\$ 2,968,958	\$ 522,136
Resources (inflows)					
Tax revenue	5,010,054	314,439	5,324,493	5,364,730	40,237
Program revenue	543,624	231,842	775,466	787,169	11,703
Grants and contributions	307,678	(49,466)	258,212	290,392	32,180
Other revenue	2,700	16,436	19,136	19,109	(27)
Amounts available for appropriation	8,310,878	513,251	8,824,129	9,430,358	84,093
Charges to appropriations (outflows)					
Debt service	215,831	(124)	215,707	210,485	5,222
Other	295,631	64,848	360,479	369,340	(8,861)
Payroll related	4,884,974	179,938	5,064,912	5,105,098	(40,186)
Station expenses	90,245	3,656	93,901	149,740	(55,839)
Vehicle expenses	130,500	(21,997)	108,503	111,642	(3,139)
Capital expenses	-	155,745	155,745	94,112	61,633
Total charges to appropriations	5,617,181	382,066	5,999,247	6,040,417	(41,170)
Budgetary fund balance, June 30	\$ 2,693,697	\$ 131,185	\$ 2,824,882	\$ 3,389,941	\$ 565,059

INDEPENDENCE FIRE DISTRICT**Required Supplementary Information - Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure-HAZARDOUS
For the Year Ended June 30, 2022****Schedule of the District's Proportionate Share of the Net Pension Liability
County Employees' Retirement System (CERS)**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Proportion of net pension liability	0.4367040%	0.4113280%	0.4479060%	0.4514100%	0.4584270%	0.4704580%	0.0476294%	0.0476133%		
Proportionate share of the net pension liability (asset)	\$11,625,756	\$12,401,656	\$12,372,487	\$10,917,156	\$10,256,289	\$8,072,777	\$7,311,611	\$5,722,000		
Covered payroll in year of measurement	\$2,712,128	\$2,530,047	\$2,676,987	\$2,586,493	\$2,518,517	\$2,508,970	\$2,508,970	\$2,494,271		
Share of the net pension liability (asset) as a percentage of its covered payroll	428.66%	490.17%	462.18%	422.08%	407.24%	321.76%	291.42%	229.41%		
Plan fiduciary net position as a percentage of total pension liability	52.26%	44.11%	46.63%	49.26%	49.80%	55.50%	57.52%	63.46%		

**Schedule of the District's Contributions
County Employees' Retirement System (CERS)**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2012
Contractually required contribution	\$940,619	\$815,266	\$760,532	\$665,499	\$580,877	\$545,398	\$508,317	\$572,435	\$543,003	
Actual contribution	940,619	815,266	760,532	665,499	580,877	545,398	508,317	572,435	543,003	
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	
Covered payroll	\$2,777,964	\$2,712,128	\$2,530,047	\$2,676,987	\$2,586,493	\$2,512,517	\$2,508,970	\$2,494,271	\$2,494,271	
Contributions as a percentage of covered payroll	33.86%	30.06%	30.06%	24.86%	22.46%	21.71%	20.26%	22.95%	21.77%	

Notes to Required Supplementary Information

The net pension liability as of June 30, 2022, is based on the June 30, 2021, actuarial valuation. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between District's contributions and proportionate share of contributions are detailed in NOTE 5 in the Notes to the Financial Statements.

INDEPENDENCE FIRE DISTRICT

Required Supplementary Information - Multiple Employer, Cost Sharing, Defined Benefit OPEB Plan Disclosure-HAZARDOUS
For the Year Ended June 30, 2022

**Schedule of the District's Proportionate Share of the Net OPEB Liability
County Employees' Retirement System (CERS)**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Proportion of net OPEB liability	0.436702%	0.411358%	0.447818%	0.451436%	0.458427%					
Proportionate share of the net OPEB liability (asset)	\$ 3,530,995	\$ 3,801,382	\$ 3,313,225	\$ 3,218,556	\$ 3,789,686					
Covered payroll in year of measurement	2,712,128	2,530,047	2,676,987	2,586,493	2,518,517					
Share of the net OPEB liability (asset) as a percentage of its covered payroll	130.19%	150.25%	123.77%	124.44%	150.47%					
Plan fiduciary net position as a percentage of total OPEB liability	66.81%	58.84%	64.44%	64.24%	59.00%					

**Schedule of the District's Contributions
County Employees' Retirement System (CERS)**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 290,853	\$ 258,195	\$ 240,860	\$ 280,281	\$ 244,649	\$ 238,252				
Actual contribution	290,853	258,195	240,860	280,281	244,649	238,252				
Contribution deficiency (excess)	-	-	-	-	-	-				
Covered payroll	2,777,964	2,712,128	2,530,047	2,676,987	2,586,493	2,518,517				
Contributions as a percentage of covered payroll	10.47%	9.52%	9.52%	10.47%	9.46%	9.46%				

Notes to Required Supplementary Information

The net OPEB liability as of June 30, 2022, is based on the June 30, 2021, actuarial valuation.. The changes to the elements of the OPEB expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between District's contributions and proportionate share of contributions are detailed in NOTE 5 in the Notes to the Financial Statements.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**To the Board of Commissioners
Independence Fire District
Independence, Kentucky**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Independence Fire District as of June 30, 2022 and the related notes to the financial statements which collectively comprise the Independence Fire District's financial statements, and have issued our report thereon dated December 23, 2022.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered Independence Fire District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Independence Fire District's internal control. Accordingly, we do not express an opinion on the effectiveness of Independence Fire District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Independence Fire District's, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.

Erlanger, Kentucky

December 23, 2022