

INDEPENDENCE FIRE DISTRICT

FINANCIAL STATEMENTS

For the Year Ended June 30, 2023

**INDEPENDENCE FIRE DISTRICT
ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2023**

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INDEPENDENCE FIRE DISTRICT

BOARD OF COMMISSIONERS

For the Year Ended June 30, 2023

Board of Commissioners

<u>Chairman</u>	<u>Term Expires</u>
Bill Egelston	July 2024
<u>Treasurer</u>	
Gerald Cook	July 2025
<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 2026

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, 2023, 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, 2023, 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 November 27, 2023, 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
November 27, 2023

Management's Discussion and Analysis

Our discussion and analysis of the Independence Fire District's financial performance for the fiscal year ended June 30, 2023, is intended to complement the formal financial statements that begin on page 10. The formal financial statements, upon which the audit firm renders their opinion, can be fairly complex. The notes to the financial statements, which are in the last section of the report, must also comply with structured professional standards and can be difficult for a non-accounting professional to understand. This "management's discussion" portion is intended to assist our citizens and other stakeholders in gaining a clearer understanding of the information in the Annual Financial Reports.

OVERVIEW OF THIS ANNUAL REPORT

This Annual Report consists of:

1. The Audit Opinion, pages 2 and 3.
2. This section, Management's Discussion and Analysis.
3. Formal financial statements and supporting schedules, pages 10 thru 14.
4. Notes and supplementary information.
5. Compliance and other matters.

The District's financial statements are presented in two formats, each with a different perspective of the District's finances. Government-wide statements present the finances of the District as one complete entity, while the Fund financial statements attempt to isolate various departments or activities within the District's structure and provide greater detail. Both approaches are useful in understanding the District's financial structure.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenditures are taken into account regardless of when cash is received or paid.

Government-wide financial statements provide us with the total net position of the District and the changes in them from prior periods. One can think of the District's net position—the difference between assets and liabilities—in the same way as one would calculate their personal net worth. The year-end net position of the District, its equity, can be compared to prior years to determine if the District's equity is growing or shrinking. This is an important measurement of how the District is doing financially. Financial results of any entity must be evaluated in conjunction with the local economic environment and a host of non-financial factors such as, population growth, infrastructure asset condition, new or changed government legislation, and the types and levels of services to be provided.

The government-wide financial statements include functions of the Independence Fire District that are principally supported by taxes, intergovernmental revenues and charges for services (governmental activities). The government-wide financial statements of the Independence Fire District include the general government and can be found on pages 10-11 of this report.

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund financial statement presentation familiar. The focus of these financial statements is on the District's various funds. The fund financial statements provide more information about the District's funds but not the District as a whole. The Independence Fire District uses only one governmental fund, the general fund.

Governmental funds

The District's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can readily be converted to cash, flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided funds statement that explains the relationship (or differences) between them. The Independence Fire District has only one "governmental fund". The General Fund uses general revenues to provide District services and cover operating expenses. The basic governmental fund financial statements can be found on pages 12-14 of this report.

The Independence Fire District adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

For the year ended June 30, 2023 net position changed as follows:

Beginning net position	\$ (7,398,861)
Increase in net position	<u>983,965</u>
Ending net position	<u><u>\$ (6,414,896)</u></u>

The increase from the beginning net position reflects a increase of (13.3%) for the District as a whole; while operating revenues and other financing sources exceeded operating expenditures only \$55,274, depreciation expense, and the increase in the net pension liability contributed to the overall increase in net position.

Statement of Net Position

	June 30, 2023	June 30, 2022
Assets		
Current and other assets	\$ 3,612,430	\$ 3,534,343
Capital assets	5,328,883	4,220,070
Deferred outflows of resources	3,652,807	3,411,955
Total Assets and Deferred Outflows of Resources	12,594,120	11,166,368
Liabilities		
Other liabilities	373,656	332,283
Long term liabilities	16,710,842	15,274,059
Deferred inflows of resources	1,924,518	2,958,887
Total Liabilities and Deferred Inflows of Resources	19,009,016	18,565,229
Net Position		
Net investment in capital assets	4,664,108	4,102,762
Unrestricted	(11,079,004)	(11,501,623)
Total Net Position	\$ (6,414,896)	\$ (7,398,861)

Net Investment in Capital Assets – \$4,664,108 of the District’s net position is fixed assets less depreciation and debt compared to \$4,102,762 for fiscal year ending June 30, 2022. 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, 2023 is (\$11,079,004). Without the net effect of the \$14,335,778 GASB 68 pension liability and GASB 75 OPEB liability, unrestricted net position would be \$3,256,774 the amount available to meet the District’s ongoing obligations compared to \$3,202,060 for the fiscal year ending June 30, 2022.

Statement of Activities

	June 30, 2023	June 30, 2022
General Revenues		
Tax assessments	\$ 5,840,719	\$ 5,364,730
Intergovernmental grants	322,771	290,392
Charges for services	832,971	787,169
Other revenues	128,358	19,112
Total General Revenues	7,124,819	6,461,403
Expenditures		
Operating	6,140,854	6,303,471
Total Expenditures	6,140,854	6,303,471
Increase (decrease) of revenues over (under) expenditures	983,965	157,932
Net position, beginning	(7,398,861)	(7,556,793)
Net position, ending	\$ (6,414,896)	\$ (7,398,861)

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 increased 10% during the fiscal year due to several factors. These include a 4% increase in real property tax rates, along with an increase in assessed values for real property and motor vehicles. There was also an increase in interest income based on a higher Fed Funds rate. Program revenues for Emergency Medical Services increased by about 6% due to completed EMS transports increasing from 1,962 at June 30, 2022 to 2,094 at June 30, 2023.

Expenditures – the District’s operating expenditures decreased 2.6% from fiscal year ending June 30, 2022. This decrease is mainly due to the district having a pension benefit of \$385,904 at June 30, 2023, instead of a pension expense of \$287,390 at June 30, 2022. This change in the market value creates a net swing of \$673,294.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets were reported for the fiscal years ended as follows:

	Governmental Activities	
	2023	2022
Land	\$ 220,000	\$ 220,000
Buildings	4,376,616	4,319,916
CIP	1,253,641	-
Vehicles	2,789,467	2,789,467
Equipment	1,082,446	1,029,060
Subtotals	9,722,170	8,358,443
Accumulated Depreciation	(4,393,287)	(4,138,373)
Totals	<u>\$ 5,328,883</u>	<u>\$ 4,220,070</u>

This year's changes include:

-Fire alarm system	\$ 42,700
-Furnance replacement	14,000
-Fire fighting equipment	53,386
-Aerial truck	935,218
-Horton ambulance	318,423
-Depreciation expense	(254,914)
	<u>\$ 1,108,813</u>

Additional information on the District's capital assets can be found in Note 2.

Debt Outstanding

Table 4 illustrates the District's outstanding debt at the end of 2023 compared to 2022.

Table 4 – Outstanding Debt at Year End

	2023	2022
5/3 Engine lease	\$ 14,418	\$ 70,793
De Lage lease	-	46,515
2022 Aerial lease	506,934	-
2022 Horton Ambulance lease	143,423	-
Total	<u>\$ 664,775</u>	<u>\$ 117,308</u>

At the end of 2023, the District had \$664,775 in outstanding long-term debt compared to \$117,308 in 2022. This is a increase of \$547,467 which includes \$381,174 of principal paid on the District's debt during 2023.

All of the required payments were made on the District's outstanding debt during 2023.

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 2023 net pension and OPEB liability of \$16,046,067 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 \$385,904 decrease 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*.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's budget for 2024 projects operating revenues to increase 3% while operating expenses are expected to increase approximately 13%. Service revenues are projected to increase over the 2023 year due to continued expansion of new corporate development, and new households being added to the system. Operation expenses are also expected to increase due to continued inflationary pressures and increases in employee wages and benefit costs to stay competitive in the market. The increase in operating income is expected to offset the increase in the operating expenses so that revenues for 2024 are budgeted to be slightly more than expenses.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

INDEPENDENCE FIRE DISTRICT STATEMENT OF NET POSITION June 30, 2023

	Governmental Activities
ASSETS	
Cash	\$ 3,332,396
Taxes receivable	61,893
Accounts receivable	63,141
Prepays	155,000
Capital assets, net of depreciation	<u>5,328,883</u>
TOTAL ASSETS	<u>8,941,313</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow of resources related to pensions and OPEB	<u>3,652,807</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>3,652,807</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>12,594,120</u>
LIABILITIES	
Accounts payable	167,215
Compensated absences	206,441
Net pension and OPEB liability	16,046,067
Long-term liabilities:	
Due within one year	201,036
Due in more than one year	<u>463,739</u>
TOTAL LIABILITIES	17,084,498
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow of resources related to pensions and OPEB	<u>1,924,518</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>19,009,016</u>
NET POSITION	
Net investment in capital assets	4,664,108
Unrestricted	<u>(11,079,004)</u>
TOTAL NET POSITION	<u>\$ (6,414,896)</u>

INDEPENDENCE FIRE DISTRICT STATEMENT OF ACTIVITIES For the Year Ended June 30, 2023
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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	\$ 6,271,844	\$ 832,971	\$ 322,771	\$ (5,116,102)
Unallocated depreciation	254,914	-	-	(254,914)
Unallocated pension/OPEB	(385,904)	-	-	385,904
Total	<u>6,140,854</u>	<u>832,971</u>	<u>322,771</u>	<u>(4,985,112)</u>
Total Primary Government	<u>\$ 6,140,854</u>	<u>\$ 832,971</u>	<u>\$ 322,771</u>	<u>(4,985,112)</u>
		General revenues		
		Property and other taxes		5,840,719
		Investment income		103,618
		Other revenues		24,740
		Total general revenues		<u>5,969,077</u>
		Change in net position		983,965
		Net position, beginning		<u>(7,398,861)</u>
		Net position, ending		<u>\$ (6,414,896)</u>

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

INDEPENDENCE FIRE DISTRICT BALANCE SHEET - GOVERNMENTAL FUNDS June 30, 2023
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	Total General Fund
ASSETS	
Cash and cash equivalents	\$ 3,332,396
Taxes receivable	61,893
Accounts receivable	63,141
Prepays	155,000
TOTAL ASSETS	\$ 3,612,430
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	\$ 167,215
FUND BALANCES	
Unassigned	3,445,215
TOTAL GOVERNMENTAL FUND BALANCES	3,445,215
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,612,430
Reconciliation of Fund Balances to the Statement of Net Position	
Total Fund Balance for Governmental Funds	\$ 3,445,215
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	5,328,883
Long-term liabilities are not due and payable in current period and therefore are not included in the funds	
Long-term debt	(664,775)
Compensated absences	(206,441)
Net pension liability	(12,545,670)
Net OPEB liability	(3,500,397)
Deferred outflows related to pension	2,507,253
Deferred outflows related to OPEB	1,145,554
Deferred inflows related to pension	(795,472)
Deferred inflows related to OPEB	(1,129,046)
Net Position of Governmental Activities	\$ (6,414,896)

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, 2023
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	General Fund
REVENUES	
Taxes	\$ 5,840,719
Charges for services	832,971
Intergovernmental	245,813
Grants and contributions	76,958
Investment earnings	103,618
Other	24,740
TOTAL REVENUES	<u>7,124,819</u>
EXPENDITURES	
General government	6,230,290
Capital expenditures	1,363,727
Debt service	
Principal	381,175
Interest	22,994
TOTAL EXPENDITURES	<u>7,998,186</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(873,367)</u>
OTHER FINANCING SOURCES	
Proceeds from loan	928,641
NET CHANGE IN FUND BALANCE	55,274
FUND BALANCE, BEGINNING OF YEAR	3,389,941
FUND BALANCE, END OF YEAR	<u>\$ 3,445,215</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, 2023</p>

Net change in fund balances - total governmental funds	\$ 55,274
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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	(254,914)
Capital purchases	1,363,727

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

Compensated absences	(18,560)
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Governmental funds report District pension contributions as (benefits) expenditures.

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

Cost of benefits earned - pension benefit	542,788
Cost of benefits earned - OPEB expense	(156,884)

The issuance of long-term debt provides current financial resources for the governmental funds and thus contributes to the change in fund balance. In the statement of net position, however, proceeds from loans and subsequent repayment of the debt is reported as an adjustment to long-term liabilities.

Principal payments on loan	381,175
Proceeds from loans	(928,641)

Change in net position of governmental activities	<u>\$ 983,965</u>
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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, 2023

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.

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.

INDEPENDENCE FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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.

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

INDEPENDENCE FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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.

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, 2023, 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

INDEPENDENCE FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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 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.

INDEPENDENCE FIRE DISTRICT NOTES TO THE FINANCIAL STATEMENTS June 30, 2023

NOTE 2 – CAPITAL ASSETS AND DEPRECIATION

	Balance at June 30, 2022	Additions	Deletions	Balance at June 30, 2023
Capital assets				
Land	\$ 220,000	\$ -	\$ -	\$ 220,000
Construction in progress	-	1,253,641	-	1,253,641
Buildings	4,319,916	56,700	-	4,376,616
Vehicles	2,789,467	-	-	2,789,467
Equipment	1,029,060	53,386	-	1,082,446
Total capital assets	<u>8,358,443</u>	<u>1,363,727</u>	<u>-</u>	<u>9,722,170</u>
Less accumulated depreciation for:				
Buildings	2,076,509	112,577	-	2,189,086
Vehicles	1,374,130	86,613	-	1,460,743
Equipment	687,734	55,724	-	743,458
Total accumulated depreciation	<u>4,138,373</u>	<u>254,914</u>	<u>-</u>	<u>4,393,287</u>
Capital assets, net	<u>\$ 4,220,070</u>	<u>\$ 1,108,813</u>	<u>\$ -</u>	<u>\$ 5,328,883</u>

During fiscal year 2023, depreciation was charged to governmental function as follows:

General government	\$254,914
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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, 2023 accrued vacation pay is \$206,441.

NOTE 4 – LONG TERM DEBT

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 2023 is \$46515 and \$483, respectively. This loan was paid in full at June 30, 2023.

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 2023 is \$56,375 and \$1,647, respectively. The balance of this loan was \$14,418 at June 30, 2023; final payment will be September 2023. Total cost of the pumper, which was delivered in September 2019, was \$452,571.

INDEPENDENCE FIRE DISTRICT NOTES TO THE FINANCIAL STATEMENTS June 30, 2023

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2024	\$ 14,418	\$ 87	\$ 14,505
Total	<u>\$ 14,418</u>	<u>\$ 87</u>	<u>\$ 14,505</u>

Horton Ambulance Lease – On August 1, 2022, the District entered into a lease agreement with REV Financial Services LLC to borrow \$318,423 to assist with the purchase of a Horton Ambulance. The balance of the lease is payable in annual installments of \$76,173.09 for 2 years and carries an interest rate of 4.12%. The lease is secured by the truck. Principal and interest paid in fiscal year 2023 is \$175,000 and \$0, respectively. The balance of this loan was \$143,423 at June 30, 2023; final payment will be August 2024. Total cost of the ambulance was \$327,346.

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2024	\$ 70,264	\$ 5,909	\$ 76,173
2025	73,159	3,014	76,173
Total	<u>\$ 143,423</u>	<u>\$ 8,923</u>	<u>\$ 152,346</u>

Aerial Lease - On August 1, 2022, the District entered into a lease agreement with REV Financial Services LLC to borrow \$610,218 to assist with the purchase of a aerial fire truck. The District made a down payment on the loan of \$325,000. The balance of the lease is payable in monthly installments of \$11,262.47 for 5 years and carries an interest rate of 4.089%. The lease is secured by the truck. Principal and interest paid in fiscal year 2023 is \$103,284 and \$20,603, respectively. The balance of this loan was \$506,934 at June 30, 2022; final payment will be July 2027. Total cost of the aerial was \$935,218.

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2024	\$ 116,354	\$ 18,796	\$ 135,150
2025	121,263	13,886	135,149
2026	126,380	8,769	135,149
2027	131,713	3,437	135,150
2028	11,224	39	11,263
Total	<u>\$ 506,934</u>	<u>\$ 44,927</u>	<u>\$ 551,861</u>

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

<u>Debt Type</u>	<u>Balance at June 30, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2023</u>	<u>Current Portion</u>
2019 Fifth Third Lease (Pumper)	\$ 70,793	\$ -	\$ (56,375)	\$ 14,418	\$ 14,418
2021 De Lage Landen Lease (Pumper)	46,515	-	(46,515)	-	-
2022 Rev Financial Services (Horton Ambulance)	-	318,423	(175,000)	143,423	70,264
2022 Rev Financial Services (Aerial)	-	610,218	(103,284)	506,934	116,354
Total	<u>\$ 117,308</u>	<u>\$ 928,641</u>	<u>\$ (381,174)</u>	<u>\$ 664,775</u>	<u>\$ 201,036</u>

INDEPENDENCE FIRE DISTRICT NOTES TO THE FINANCIAL STATEMENTS June 30, 2023

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 Duty* employees.

Membership in CERS consisted of the following at June 30, 2022:

	Hazardous	
	Pension	OPEB
Active Plan Members	9,173	9,109
Inactive Plan Members	2,895	883
Retired Members	10,858	7,655
	<u>22,926</u>	<u>17,647</u>
Number of participating employers		<u>260</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, 2023

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 health insurance benefits 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

For hazardous duty employees, the District contributed 49.59% of covered-employee's compensation, of which 42.81% was for the pension fund and 6.78% 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 \$1,692,867, of which \$1,461,416 was for the pension fund and \$231,451 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, 2023, the District reported a liability of \$12,545,670 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022 measurement year, the District's hazardous employer allocation proportion was 0.411137% of the total CERS hazardous duty employees. For the year ended June 30, 2023, the District recognized pension expense of \$542,788 in addition to its \$1,461,416 pension contribution.

At June 30, 2023, 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, 2023

	Hazardous	
	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 359,707	\$ -
Net difference between projected actual earnings on plan investments	289,770	-
Changes of assump.	-	-
Changes in proportion, differences between contributions and proportionate share of contributions	396,359	(795,472)
Contributions subsequent to the measurement date	1,461,416	-
	<u>\$ 2,507,252</u>	<u>\$ (795,472)</u>

The District's contributions subsequent to the measurement date of \$1,461,416 will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. 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
2023	\$ 12,348
2024	78,696
2025	(105,375)
2026	264,695
2027	-
Thereafter	-
	<u>\$ 250,364</u>

Actuarial Methods and Assumptions for Determining the Total Pension Liability and Net Pension Liability

For financial reporting, the actuarial valuation as of June 30, 2022, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2022 were based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled forward from the valuation date (June 30, 2021) to the plan's fiscal year ending date of June 30, 2022, using generally accepted actuarial principles.

There have been no actuarial assumption or method changes since June 30, 2021. Additionally, there have been no plan provision changes that would materially impact the total pension liability since June 30, 2012.

INDEPENDENCE FIRE DISTRICT
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June 30, 2023

House Bill 1 passed during the 2022 legislative session and included a provision that provided an approximate 8% across-the-board salary increase for KERS members effective July 1, 2022, for eligible State employees. While this salary increase may produce an actuarial loss with respect to the liability attributable to Tier 1 and Tier 2 active members (i.e., a higher total pension liability than expected based on current actuarial assumptions), there was not sufficient information available at the time the roll forward Total Pension Liability was calculated to make a reasonable adjustment to reflect these anticipated salary increases. It is GRS's opinion that these procedures for determining the information contained in this report are reasonable, appropriate, and comply with applicable requirements under GASB No. 68.

The actuarial assumptions for CERS Hazardous plans are as follows:

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 to June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.55% to 19.05% varies by service for Hazardous
Investment Rate of Return	6.25%
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

The mortality table used for active members was a Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a 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. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Changes of Assumptions

There have been no changes in actuarial assumptions since June 30, 2021.

Discount Rate

The projection of cash flows used to determine the discount rate of 6.25% for CERS Hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute, as amended by House Bill 362, (passed in 2018) over the remaining 29 years (closed) amortization period of the unfunded actuarial accrued liability.

INDEPENDENCE FIRE DISTRICT NOTES TO THE FINANCIAL STATEMENTS June 30, 2023

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:

Asset Class	CERS Pensions	
	Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	4.45%
Private equity	10.00%	10.15%
Core bonds	10.00%	0.28%
Specialty credit / high yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
Expected Real Return	<u>100.00%</u>	<u>4.28%</u>
Long-Term Inflation Assumption		<u>2.30%</u>
Expected Nominal Return for Portfolio		<u>6.58%</u>

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%
Hazardous	\$ 15,627,685	\$ 12,545,670	\$ 10,035,559
Total	<u>\$ 15,627,685</u>	<u>\$ 12,545,670</u>	<u>\$ 10,035,559</u>

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.

<p>INDEPENDENCE FIRE DISTRICT NOTES TO THE FINANCIAL STATEMENTS June 30, 2023</p>
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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.

For hazardous duty employees, the District contributed 6.78% 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, 2023, the District recognized OPEB expense of \$156,884 in addition to its \$231,451 OPEB contribution.

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

At June 30, 2023, the District reported a liability of \$3,500,397 as its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to

INDEPENDENCE FIRE DISTRICT NOTES TO THE FINANCIAL STATEMENTS June 30, 2023

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, actuarially determined. At the June 30, 2022 measurement year, the District's hazardous employer allocation proportion was 0.410948% of the total CERS hazardous duty employees.

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	\$ 77,343	\$ (207,313)
Net difference between projected actual earnings on plan investments	127,762	-
Changes of assump.	584,318	(602,293)
Changes in proportion, differences between contributions and proportionate share of contributions	124,681	(319,440)
Contributions subsequent to the measurement date	231,451	-
	<u>\$ 1,145,555</u>	<u>\$ (1,129,046)</u>

The District's contributions subsequent to the measurement date of \$231,451 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Year Ending June 30,	Net Deferral
2023	\$ (23,949)
2024	(31,472)
2025	(99,037)
2026	78,010
2027	(138,494)
Thereafter	-
	<u>\$ (214,942)</u>

INDEPENDENCE FIRE DISTRICT NOTES TO THE FINANCIAL STATEMENTS June 30, 2023

Actuarial Methods and Assumptions to Determine the Total OPEB Liability and the Net OPEB Liability

For financial reporting, the actuarial valuation as of June 30, 2022, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2022, were based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending date of June 30, 2022, using the generally accepted actuarial principles.

The actuarial assumptions for CERS Hazardous plans are as follows:

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 to June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.55% to 19.05% varies by service for Hazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post - 65	Initial trend starting at 9.00% in 2024, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Mortality	
Pre-retirement	PUB2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non- disabled)	System-specific mortality table based on mortality experience 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

The single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during

INDEPENDENCE FIRE DISTRICT NOTES TO THE FINANCIAL STATEMENTS June 30, 2023

the June 30, 2021, valuation process and was updated to better reflect the plan's anticipated long-term healthcare costs. There were no other material assumption changes.

Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003, by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable on January 1, 2023. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA.

The total OPEB liability as of June 30, 2022, is determined using these updated benefit provisions. There were no other material plan provision changes.

Changes of Assumptions

The discount rates used to calculate the total OPEB liability increased from 5.05% to 5.61% for the hazardous Plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2022 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

Single discount rates of 5.61% for CERS Hazardous systems were used to measure the total OPEB liability as of June 30, 2022. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.

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, 2023

Asset Class	CERS Pensions	
	Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	4.45%
Private equity	10.00%	10.15%
Core bonds	10.00%	0.28%
Specialty credit/high yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
Expected Real Return	100.00%	4.28%
Long-Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.58%

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 5.61% 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:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount Rate, Hazardous	4.61%	5.61%	6.61%
Net OPEB liability, Haz	\$ 4,863,697	\$ 3,500,397	\$ 2,393,142
Total	\$ 4,863,697	\$ 3,500,397	\$ 2,393,142

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:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Healthcare cost trend rate			
Net OPEB liability, hazardous	\$ 2,444,283	\$ 3,500,397	\$ 4,787,742
Total	\$ 2,444,283	\$ 3,500,397	\$ 4,787,742

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 Kentucky Public Pension Authority, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601 or online at www.kyret.ky.gov.

INDEPENDENCE FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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, 2023, or the results of its operations for the year then ended.

NOTE 7 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 91 – *Conduit Debt Obligations* – Implementation in FY 2023 – This Standard has no impact on the District.

Statement No. 94 – *Public-Private and Public-Public Partnerships* – FY 2023 – This Standard has no impact on the District.

Statement No. 96 – *Subscription-Based Information Technology Arrangements* – FY 2023 – This Standard has no impact on the District.

Statement No. 99 – *Omnibus 2020* – FY 2023 – This Standard affected a portion of Statements No. 87, 91, 94, and 96.

NOTE 8 – FUTURE ACCOUNTING STANDARDS

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

Statement No. 101 – *Compensated Absences* – Implementation in FY 2024

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.

NOTE 10 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 27, 2023, 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, 2023
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	Budgeted Amounts			Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Revisions	Final		
Budgetary fund balance, July 1	\$ 2,824,882	\$ -	\$ 2,824,882	\$ 3,389,941	\$ 565,059
Resources (inflows)					
Tax revenue	5,228,122	611,263	5,839,385	5,840,719	1,334
Program revenue	691,290	133,068	824,358	832,971	8,613
Grants and contributions	303,747	67,897	371,644	322,771	(48,873)
Other revenue	2,700	121,126	123,826	128,358	4,532
Amounts available for appropriation	<u>9,050,741</u>	<u>933,354</u>	<u>9,984,095</u>	<u>10,514,760</u>	<u>530,665</u>
Charges to appropriations (outflows)					
Debt service	105,020	299,149	404,169	404,169	-
Other	361,704	(53,599)	308,105	315,849	(7,744)
Payroll related	5,280,885	278,923	5,559,808	5,550,011	9,797
Station expenses	100,940	6,651	107,591	180,565	(72,974)
Vehicle expenses	146,500	34,783	181,283	183,865	(2,582)
Capital expenses	40,000	1,390,870	1,430,870	1,363,727	67,143
Total charges to appropriations	<u>6,035,049</u>	<u>1,956,777</u>	<u>7,991,826</u>	<u>7,998,186</u>	<u>(6,360)</u>
Proceeds from loan	<u>-</u>	<u>928,641</u>	<u>928,641</u>	<u>928,641</u>	<u>-</u>
Budgetary fund balance, June 30	<u>\$ 3,015,692</u>	<u>\$ (94,782)</u>	<u>\$ 2,920,910</u>	<u>\$ 3,445,215</u>	<u>\$ 524,305</u>

INDEPENDENCE FIRE DISTRICT**Required Supplementary Information - Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure-HAZARDOUS****For the Year Ended June 30, 2023****Schedule of the District's Proportionate Share of the Net Pension Liability
County Employees' Retirement System (CERS)**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net pension liability	0.411137%	0.436704%	0.411328%	0.447906%	0.45141%	0.458427%	0.470458%	0.0476294%	0.0476133%	
Proportionate share of the net pension liability (asset)	\$12,545,670	\$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	\$2,777,964	\$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	451.61%	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	47.11%	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)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$1,461,416	\$940,619	\$815,266	\$760,532	\$665,499	\$580,877	\$545,398	\$508,317	\$572,435	\$543,003
Actual contribution	1,461,416	940,619	815,266	760,532	665,499	580,877	545,398	508,317	572,435	543,003
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	\$2,979,935	\$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	49.04%	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, 2023, is based on the June 30, 2022, 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, 2023

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net OPEB liability	0.410948%	0.436702%	0.411358%	0.447818%	0.451436%	0.458427%				
Proportionate share of the net OPEB liability (asset)	\$ 3,500,397	\$ 3,530,995	\$ 3,801,382	\$ 3,313,225	\$ 3,218,556	\$ 3,789,686				
Covered payroll in year of measurement	2,777,964	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	126.01%	130.19%	150.25%	123.77%	124.44%	150.47%				
Plan fiduciary net position as a percentage of total OPEB liability	64.13%	66.81%	58.84%	64.44%	64.24%	59.00%				

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 231,451	\$ 290,853	\$ 258,195	\$ 240,860	\$ 280,281	\$ 244,649	\$ 238,252			
Actual contribution	231,451	290,853	258,195	240,860	280,281	244,649	238,252			
Contribution deficiency (excess)	-	-	-	-	-	-	-			
Covered payroll	2,979,935	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	7.77%	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, 2023, is based on the June 30, 2022, 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, 2023 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 November 27, 2023.

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

November 27, 2023