INDEPENDENCE FIRE DISTRICT

FINANCIAL STATEMENTS

For the Year Ended June 30, 2024

INDEPENDENCE FIRE DISTRICT

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2024

TABLE OF CONTENTS

INDEPENDENCE FIRE DISTRICT

BOARD OF COMMISSIONERS

For the Year Ended June 30, 2024

Board of Commissioners

Chairman	Term Expires
Bill Eggelston	July 2024
Treasurer	
Gerald Cook	July 2025
Secretary	
Adam Wilson	July 2027
Board Members	
Arthur Anderson	July 2024
Dan Richman	July 2025
Richard Messignschlager	July 2026
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, 2024, 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, 2024, 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.

3216 Dixie Highway ■ Erlanger, KY ■ 41018 ■ Phone 859-431-0700 ■ www.cnocpa.com

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 5, 2024, 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 5, 2024

Management's Discussion and Analysis

Our discussion and analysis of the Independence Fire District's financial performance for the fiscal year ended June 30, 2024, 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, 2024 net position changed as follows:

Beginning net position	$ (6,414,896)
Increase in net position	1,557,570
Ending net position	$ (4,857,326)

The increase from the beginning net position reflects a increase of (24.3%) for the District as a whole; while operating revenues and other financing sources exceeded operating expenditures by $711,945, depreciation expense, and the decrease in the net pension liability contributed to the overall increase in net position.

Statement of Net Position

	June 30, 2024	June 30, 2023
Assets		
Current and other assets	$ 4,174,852	$ 3,612,430
Capital assets	5,440,403	5,328,883
Deferred outflows of resources	2,674,747	3,652,807
Total Assets and Deferred Outflows of Resources	12,290,002	12,594,120
Liabilities		
Other liabilities	270,583	373,656
Long term liabilities	12,095,211	16,710,842
Deferred inflows of resources	4,781,534	1,924,518
Total Liabilities and Deferred Inflows of Resources	17,147,328	19,009,016
Net Position		
Net investment in capital assets	4,821,680	4,664,108
Unrestricted	(9,679,006)	(11,079,004)
Total Net Position	$ (4,857,326)	$ (6,414,896)

Net Investment in Capital Assets – $4,821,680 of the District's net position is fixed assets less depreciation and debt compared to $4,664,108 for fiscal year ending June 30, 2023. 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, 2024 is ($9,679,006). Without the net effect of the $13,583,275 GASB 68 pension liability and GASB 75 OPEB liability, unrestricted net position would be $3,904,269 the amount available to meet the District's ongoing obligations compared to $3,256,774 for the fiscal year ending June 30, 2023.

Statement of Activities

	June 30, 2024	June 30, 2023
General Revenues		
Tax assessments	$ 6,371,610	$ 5,840,719
Intergovernmental grants	246,255	322,771
Charges for services	1,041,980	832,971
Other revenues	248,794	128,358
Total General Revenues	7,908,639	7,124,819
Expenditures		
Operating	6,351,069	6,140,854
Total Expenditures	6,351,069	6,140,854
Increase (decrease) of revenues over (under) expenditures	1,557,570	983,965
Net position, beginning	(6,414,896)	(7,398,861)
Net position, ending	$ (4,857,326)	$ (6,414,896)

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 11% during the fiscal year due to several factors. These include an 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 25%.

Expenditures – the District's operating expenditures increased 3.4% from fiscal year ending June 30, 2023. This increase is mainly due to the district having a pension benefit of $734,502 at June 30, 2024, instead of a pension benefit of $385,904 at June 30, 2023. This change in the market value creates a net swing of $348,598.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

	Governmental Activities	
	2024	2023
Land	$ 220,000	$ 220,000
Buildings	4,376,616	4,376,616
CIP	-	1,253,641
Vehicles	3,933,549	2,789,467
Equipment	1,197,029	1,082,446
Subtotals	9,727,194	9,722,170
Accumulated Depreciation	(4,286,791)	(4,393,287)
Totals	$ 5,440,403	$ 5,328,883

This year's changes include:	
-Phone system	$ 29,492
-Power pro cots	59,308
-Powerload system	25,783
-2023 ambulance	309,984
-Ford expedition	59,685
-Depreciation expense	(372,732)
	$ 111,520

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 2024 compared to 2023.

Table 4 – Outstanding Debt at Year End

	2024	2023
5/3 Engine lease	$ -	$ 14,418
2023 Ambulance lease	154,984	-
2022 Aerial lease	390,580	506,934
2022 Horton Ambulance lease	73,159	143,423
Total	$ 618,723	$ 664,775

At the end of 2024, the District had $618,723 in outstanding long-term debt compared to $664,775 in 2023. This is a decrease of $46,052 which includes $201,036 of principal paid on the District's debt during 2024.

All of the required payments were made on the District's outstanding debt during 2024.

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 2024 net pension and OPEB liability of $11,476,488 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 $734,502 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 2025 projects operating revenues to increase 7% while operating expenses are also expected to increase approximately 7%. Service revenues are projected to increase over the 2024 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 2025 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, 2024

	Governmental Activities
ASSETS	
Cash	$ 3,907,263
Taxes receivable	60,694
Accounts receivable	51,186
Prepaids	155,709
Capital assets, net of depreciation	5,440,403
TOTAL ASSETS	9,615,255
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow of resources related to pensions and OPEB	2,674,747
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,674,747
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	12,290,002
LIABILITIES	
Accounts payable	17,692
Compensated absences	252,891
Net pension and OPEB liability	11,476,488
Long-term liabilities:	
Due within one year	269,866
Due in more than one year	348,857
TOTAL LIABILITIES	12,365,794
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow of resources related to pensions and OPEB	4,781,534
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	17,147,328
NET POSITION	
Net investment in capital assets	4,821,680
Unrestricted	(9,679,006)
TOTAL NET POSITION	$ (4,857,326)

INDEPENDENCE FIRE DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2024

		Program Revenues		Net Revenue (Expense) and Changes in Net Position
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Governmental Activities**
Primary Government				
General government	$ 6,712,839	$ 1,041,980	$ 246,255	$ (5,424,604)
Unallocated depreciation	372,732	-	-	(372,732)
Unallocated pension/OPEB	(734,502)	-	-	734,502
Total	6,351,069	1,041,980	246,255	(5,062,834)
Total Primary Government	$ 6,351,069	$ 1,041,980	$ 246,255	(5,062,834)
		General revenues		
		Property and other taxes		6,371,610
		Investment income		189,639
		Other revenues		59,155
		Total general revenues		6,620,404
		Change in net position		1,557,570
		Net position, beginning		(6,414,896)
		Net position, ending		$ (4,857,326)

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

INDEPENDENCE FIRE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2024

	Total General Fund
ASSETS	
Cash and cash equivalents	$ 3,907,263
Taxes receivable	60,694
Accounts receivable	51,186
Prepaids	155,709
TOTAL ASSETS	$ 4,174,852
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	$ 17,692
FUND BALANCES	
Unassigned	4,157,160
TOTAL GOVERNMENTAL FUND BALANCES	4,157,160
TOTAL LIABILITIES AND FUND BALANCES	$ 4,174,852

Reconciliation of Fund Balances to the Statement of Net Position	
Total Fund Balance for Governmental Funds	$ 4,157,160
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assests used in govenmental activities are not financial resources and therefore are not reported in the funds	5,440,403
Long-term liabilities are not due and payable in currecnt period and therefore are not included in the funds	
Long-term debt	(618,723)
Compensated absences	(252,891)
Net pension liability	(10,922,529)
Net OPEB liability	(553,959)
Defered outflows related to pension	2,069,605
Defered outflows related to OPEB	605,142
Deferred inflows related to pension	(1,559,112)
Deferred inflows related to OPEB	(3,222,422)
Net Position of Governmental Activities	$ (4,857,326)

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, 2024

	General Fund
REVENUES	
Taxes	$ 6,371,610
Charges for services	1,041,980
Intergovernmental	235,255
Grants and contributions	11,000
Investment earnings	189,639
Other	59,153
TOTAL REVENUES	7,908,637
EXPENDITURES	
General government	6,641,640
Capital expenditures	484,252
Debt service	
Principal	201,035
Interest	24,749
TOTAL EXPENDITURES	7,351,676
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	556,961
OTHER FINANCING SOURCES	
Proceeds from loan	154,984
NET CHANGE IN FUND BALANCE	711,945
FUND BALANCE, BEGINNING OF YEAR	3,445,215
FUND BALANCE, END OF YEAR	$ 4,157,160

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

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, 2024

Net change in fund balances - total governmental funds	$ 711,945
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	(372,732)
Capital purchases	484,252
Expenses reported in the statement of activities that do not require current financial resources are not reported as expenses in the funds	
Compensated absences	(46,448)
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	421,853
Cost of benefits earned - OPEB expense	312,649
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	201,035
Proceeds from loans	(154,984)
Change in net position of governmental activities	$ 1,557,570

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

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.

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 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, 2024, 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 sub-division 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.

NOTE 2 – CAPITAL ASSETS AND DEPRECIATION

	Balance at June 30, 2023	Additions	Deletions	Balance at June 30, 2024
Capital assets				
Land	$ 220,000	$ -	$ -	$ 220,000
Construction in progress	1,253,641	-	(1,253,641)	-
Buildings	4,376,616	-	-	4,376,616
Vehicles	2,789,467	1,623,310	(479,228)	3,933,549
Equipment	1,082,446	114,583	-	1,197,029
Total capital assets	9,722,170	1,737,893	(1,732,869)	9,727,194
Less accumulated depreciation for:				
Buildings	2,189,085	112,520	-	2,301,605
Vehicles	1,460,744	193,029	(479,228)	1,174,545
Equipment	743,458	67,183	-	810,641
Total accumulated depreciation	4,393,287	372,732	(479,228)	4,286,791
Capital assets, net	$ 5,328,883	$ 1,365,161	$ (1,253,641)	$ 5,440,403

During fiscal year 2024, depreciation was charged to governmental function as follows:

General government $372,732

NOTE 3 – COMPENSATED ABSENCES

The District reports compensated absences in accordance with GASB Statement No. 101, 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, 2024 accrued vacation pay is $252,891.

NOTE 4 – LONG TERM DEBT

<u>Pumper Lease</u> - 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 2024 is $14,418 and $0, respectively. This loan was paid in full in fiscal year 2024.

<u>Horton Ambulance Lease</u> – 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 2024 is $70,264 and $5,909, respectively. The balance of this loan was $73,159 at June 30, 2024; final payment will be August 2024. Total cost of the ambulance was $327,346.

Fiscal Year Ending June 30,	Principal	Interest	Payment
2025	$ 73,159	$ 3,014	$ 76,173
Total	$ 73,159	$ 3,014	$ 76,173

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 an 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 2024 is $116,354 and $18,796, respectively. The balance of this loan was $390,580 at June 30, 2024; final payment will be July 2027. Total cost of the aerial was $935,218.

Fiscal Year Ending June 30,	Principal	Interest	Payment
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	$ 390,580	$ 26,131	$ 416,711

Ambulance Lease – On July 3, 2023, the District entered into a lease agreement with REV Financial Services LLC to borrow $154,984 to assist with the purchase of an ambulance. The lease is payable in annual installments of $83,861 for 2 years beginning July 3, 2024 and carries an interest rate of 5.431%. The lease is secured by the ambulance. The balance of this loan was $154,984 at June 30, 2024 and final payment will be July 3, 2025.

Fiscal Year Ending June 30,	Principal	Interest	Payment
2025	$ 75,443	$ 8,418	$ 83,861
2026	79,541	4,320	83,861
Total	$ 154,984	$ 12,738	$ 167,722

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

Debt Type	Balance at June 30, 2023	Additions	Reductions	Balance at June 30, 2024	Current Portion
2019 Fifth Third Lease (Pumper)	$ 14,418	$ -	$ (14,418)	$ -	$ -
2023 Rev Financial Services (Ambulance)	-	154,984	-	154,984	75,443
2022 Rev Financial Services (Horton Ambulance)	143,423	-	(70,264)	73,159	73,159
2022 Rev Financial Services (Aerial)	506,934	-	(116,354)	390,580	121,264
Total	$ 664,775	$ 154,984	$ (201,036)	$ 618,723	$ 269,866

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 Statue ("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, 2023:

	Hazardous	
	Pension	OPEB
Active Plan Members	9,184	9,109
Inactive Plan Members	4,100	883
Retired Members	11,231	7,655
	24,515	17,647
Number of participating employers		260

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

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 43.69% of covered-employee's compensation, of which 41.11% was for the pension fund and 2.58% 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 $1,423,834, of which $1,339,753 was for the pension fund and $84,081 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, 2024, the District reported a liability of $10,922,529 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2023 measurement year, the District's hazardous employer allocation proportion was 0.405145% of the total CERS hazardous duty employees. For the year ended June 30, 2024, the District recognized pension revenue of $421,853 in addition to its $1,339,753 pension contribution.

At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Hazardous	
	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	$ 499,333	$ -
Net difference between projected actual earnings on plan investments	-	(109,573)
Changes of assump.	-	(853,018)
Changes in proportion, differences between contributions and proportionate share of contributions	230,519	(596,521)
Contributions subsequent to the measurement date	1,339,753	-
	$ 2,069,605	$ (1,559,112)

The District's contributions subsequent to the measurement date of $1,339,753 will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. 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
2024	$ (231,522)
2025	(413,279)
2026	(47,807)
2027	(136,652)
2028	-
Thereafter	-
	$ (829,260)

Actuarial Methods and Assumptions for Determining the Net Pension Liability

For financial reporting, the actuarial valuation as of June 30, 2023, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2023, were based on an actuarial valuation date of June 30, 2022. The total pension liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023, using generally accepted actuarial principles.

Changes of Assumptions

The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023 and include a change in the investment return assumption from 6.25% to 6.50%. These assumptions are documented in the report titled "2022 Actuarial Experience Study for the Period Ending June 30, 2022." The Total Pension Liability as of June 30, 2023, is determined using these updated assumptions.

House Bill 506 passed during the 2023 legislative session and reinstated the Partial Lump Sum Option form of payment for members who retire on and after January 1, 2024, with the lump-sum options expanded to include 48 or 60 times the member's monthly retirement allowance. Since this optional form of payment results in a reduced, actuarial equivalent, monthly retirement allowance for members who elect a partial lump-sum option, this provision does not have a fiscal impact to the total pension liability.

House Bill 506 also adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month under all circumstances. This is a minimal change for members in the hazardous plans, as the minimum separation period was already one month for members who became reemployed on a full-time basis in a hazardous position. The requirement was previously three months only for members who became reemployed on a part-time basis or in any nonhazardous position. GRS believes this provision of House Bill 506 will have an insignificant impact on the retirement pattern of hazardous members and therefore reflected no fiscal impact to the total pension liability of the hazardous plan.

Similarly, this is a relatively small change for future retirees in the non-hazardous plans. But as the minimum separation period was previously three months in almost every circumstance, GRS assumed that there would be a one percent (1%) increase in the rate of retirement for each of the first two years a non-hazardous member becomes retirement eligible under the age of 65 in order to reflect a shift in the retirement pattern. The total pension liability as of June 30, 2023, for the non-hazardous plans in determined using these updated benefits provisions.

There have been no other plan provision changes that would materially impact the total pension liability since June 30, 2022. 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 are:

Inflation	2.50%
Payroll Growth Rate	2.0% for CERS Non-hazardous and Hazardous
Salary Increases	3.30% to 10.30%, varies by service for CERS Non-hazardous 3.55% to 19.05%, varies by service for CERS Hazardous
Investment Rate of Return	6.50% for CERS Non-hazardous and Hazardous

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-hazardous System, and the 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 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

Discount Rate

The projection of cash flows used to determine the discount rate of 6.50% for CERS non-hazardous and hazardous systems 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 28 years (closed) amortization period of the unfunded actuarial accrued liability.

Actuarial Methods and Assumptions used to determine the Actuarial Determined Contributions for Fiscal Year 2023

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2023:

Valuation Date	June 30, 2021
Experience Study	July 1, 2018 to June 30, 2022
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	3.30% to 10.30%, varies by service for Non-Hazardous 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 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.

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 Non-Hazardous and Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	5.90%
Private equity	10.00%	11.73%
Core bonds	10.00%	2.45%
Specialty credit / high yield	10.00%	3.65%
Cash	0.00%	1.39%
Real estate	7.00%	4.99%
Real return	13.00%	5.15%
Expected Real Return	100.00%	5.75%
Long-Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		8.25%

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 6.50 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 (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	Proportionate Share of Net Pension Liability		
	1% Decrease 5.50%	Current Rate 6.50%	1% Increase 7.50%
Hazarous	$ 13,792,300	$ 10,922,529	$ 8,578,578
Total	$ 13,792,300	$ 10,922,529	$ 8,578,578

<u>HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS</u>

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.

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:

	Required Contribution
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 2.58% 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, 2024, the District recognized OPEB revenue of $312,649 in addition to its $84,081 OPEB contribution.

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

At June 30, 2024, the District reported a liability of $553,959 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 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, 2023 measurement year, the District's hazardous employer allocation proportion was 0.404873% 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	$ 50,104	$ (2,283,809)
Net difference between projected actual earnings on plan investments	-	(76,291)
Changes of assump.	378,246	(577,476)
Changes in proportion, differences between contributions and proportionate share of contributions	92,711	(284,846)
Contributions subsequent to the measurement date	84,081	-
	$ 605,142	$ (3,222,422)

The District’s contributions subsequent to the measurement date of $84,081 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025. 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
2024	$ (558,561)
2025	(625,074)
2026	(450,086)
2027	(663,712)
2028	(403,928)
Thereafter	-
	$ (2,701,361)

Actuarial Methods and Assumptions to Determine the Net OPEB Liability

For financial reporting, the actuarial valuation as of June 30, 2023, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2023, were based on an actuarial valuation date of June 30, 2022. The total OPEB liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023, using the generally accepted actuarial principles.

The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2023:

Inflation	2.50%
Payroll Growth Rate	2.0% for CERS Non-hazardous and Hazardous
Salary Increase	3.30% to 10.30%, varies by service for CERS Non-hazardous 3.55% to 19.05%, varies by service for CERS Hazardous
Investment Rate of Return	6.50%
Health Care Trend Rates	
Pre-65	Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 8.50% in 2025, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.
Post-retirement (nondisabled)	System-specific mortality table based on mortality experience from 2013-2022 projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year 2010.

The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023. These assumptions are documented in the report titled "2022 Actuarial Experiences Study for the Period Ending June 30, 2022". Additionally, the single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. Additional information regarding the single discount rates is provided below. The Total OPEB Liability as of June 30, 2023, is determined using these updated assumptions.

House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Option form of payment for members who retire on and after January 1, 2024 and adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month for all circumstances.

This is a minimal change for members in the hazardous plans, as the minimum separation period was already one month for members who became reemployed on a full-time basis in a hazardous position. The requirement was previously three months only for members who became reemployed on a part-time basis in any nonhazardous position. GRS believes this provision of House Bill 506 will have an insignificant impact on the retirement pattern of hazardous members and therefore have reflected no fiscal impact to the total OPEB liability of the hazardous plan.

Similarly, this is a relatively small change for future retirees in the non-hazardous plan. But as the minimum separation period was previously three months in almost every circumstance, GRS assumed that there would be a one percent (1%) increase in the rate of retirement for each of the first two years a non-hazardous member becomes retirement eligible under the age of 65, in order to reflect a shift in the retirement pattern. The total OPEB liability as of June 30, 2023, for the non-hazardous plan is determined using these updated benefit provisions.

There have been no other plan provision changes that would materially impact the total OPEB liability since June 30, 2022. It is GRS's opinion that these procedures are reasonable and appropriate and comply with applicable requirements under GASB Statement No. 75.

Actuarial Methods and Assumptions used to determine the Actuarial Determined Contribution for Fiscal Year 2023

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for the fiscal year ending June 30, 2023:

Valuation Date	June 30, 2021
Experience Study	July 1, 2018 to June 30, 2022
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	3.30% to 10.30%, varies by service for Non-hazardous 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 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were included into the liability measurement.
Post - 65	Initial trend starting at 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were included into the liability measurement.

Mortality

Pre-retirement	PUB-2010 General Mortality table, for the Non-hazardous Systems, and the 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 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, 2023, 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 5.70% to 5.93%. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2023 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 5.93% for CERS non-hazardous and 5.97% for CERS hazardous were used to measure the total OPEB liability as of June 30, 2023. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50%, and a municipal bond rate of 3.86%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2023. 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:

Asset Class	CERS Pensions Non-Hazardous and Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	5.90%
Private equity	10.00%	11.73%
Core bonds	10.00%	2.45%
Specialty credit /high yield	10.00%	3.65%
Cash	0.00%	1.39%
Real estate	7.00%	4.99%
Real return	13.00%	5.15%
Expected Real Return	100.00%	5.75%
Long-Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		8.25%

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 5.93% for the Non-hazardous plan and the 5.97% 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	4.97%	5.97%	6.97%
Net OPEB liability, Haz	$ 1,400,972	$ 553,959	$ (151,828)
Total	$ 1,400,972	$ 553,959	$ (151,828)

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		
Healthcare cost trend rate	1.00% Decrease	Current Rate	1.00% Increase
Net OPEB liability, hazardous	$ 6,312	$ 553,959	$ 1,215,357
Total	$ 6,312	$ 553,959	$ 1,215,357

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 .

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, 2024, or the results of its operations for the year then ended.

NOTE 7 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 99 – *Omnibus 2020*, Para. 4-10 – This standard has no significant impact on the District.

Statement No. 100 – *Accounting Changes and Error Corrections* – This standard has no significant impact on the District.

Statement No. 101 – *Compensated Absences* – This standard has no significant impact on the District.

NOTE 8 – FUTURE ACCOUNTING STANDARDS

Statement No. 102 – *Certain Risk Disclosures* – Implementation in FY 2025

Statement No. 103 – *Financial Reporting Model Improvements* – Implementation in FY 2026

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 December 5, 2024, 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, 2024

	Budgeted Amounts				Variance with Final Budget Favorable
	Original	Revisions	Final	Actual	(Unfavorable)
Budgetary fund balance, July 1	$ 2,920,910	$ -	$ 2,920,910	$ 3,445,215	$ 524,305
Resources (inflows)					
Tax revenue	5,924,718	411,593	6,336,311	6,371,610	35,299
Program revenue	760,000	287,668	1,047,668	1,041,980	(5,688)
Grants and contributions	254,648	(8,393)	246,255	246,255	-
Other revenue	20,200	229,953	250,153	248,792	(1,361)
Amounts available for appropriation	9,880,476	920,821	10,801,297	11,353,852	552,555
Charges to appropriations (outflows)					
Debt service	225,829	(45)	225,784	225,784	-
Other	372,267	40,910	413,177	389,593	23,584
Payroll related	5,688,186	322,894	6,011,080	5,838,655	172,425
Station expenses	103,640	33,133	136,773	195,704	(58,931)
Vehicle expenses	179,000	2,695	181,695	217,688	(35,993)
Capital expenses	356,531	190,058	546,589	484,252	62,337
Total charges to appropriations	6,925,453	589,645	7,515,098	7,351,676	163,422
Proceeds from loan	-	154,984	154,984	154,984	-
Budgetary fund balance, June 30	$ 2,955,023	$ 486,160	$ 3,441,183	$ 4,157,160	$ 715,977

INDEPENDENCE FIRE DISTRICT
Required Supplementary Information - Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure-HAZARDOUS
Last Ten Fiscal Years

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of net pension liability	0.405145%	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)	$ 10,922,529	$ 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	$ 2,979,935	$ 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	366.54%	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	52.96%	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)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 1,339,753	$ 1,461,416	$ 940,619	$ 815,266	$ 760,532	$ 665,499	$ 580,877	$ 545,398	$ 508,317	$ 572,435
Actual contribution	1,339,753	1,461,416	940,619	815,266	760,532	665,499	580,877	545,398	508,317	572,435
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	$ 3,258,947	$ 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
Contributions as a percentage of covered payroll	41.11%	49.04%	33.86%	30.06%	30.06%	24.86%	22.46%	21.71%	20.26%	22.95%

Notes to Required Supplementary Information
for the Year Ended June 30, 2024

The net pension liability as of June 30, 2024, is based on the June 30, 2023, 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
Last Ten Fiscal Years

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of net OPEB liability	0.404873%	0.410948%	0.436702%	0.411358%	0.447818%	0.451436%	0.458427%			
Proportionate share of the net OPEB liability (asset)	$ 553,959	$ 3,500,397	$ 3,530,995	$ 3,801,382	$ 3,313,225	$ 3,218,556	$ 3,789,686			
Covered payroll in year of measurement	2,979,935	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	18.59%	126.01%	130.19%	150.25%	123.77%	124.44%	150.47%			
Plan fiduciary net position as a percentage of total OPEB liability	92.27%	64.13%	66.81%	58.84%	64.44%	64.24%	59.00%			

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 84,081	$ 231,451	$ 290,853	$ 258,195	$ 240,860	$ 280,281	$ 244,649	$ 238,252		
Actual contribution	84,081	231,451	290,853	258,195	240,860	280,281	244,649	238,252		
Contribution deficiency (excess)	-	-	-	-	-	-	-	-		
Covered payroll	3,258,947	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	2.58%	7.77%	10.47%	9.52%	9.52%	10.47%	9.46%	9.46%		

Notes to Required Supplementary Information
for the Year Ended June 30, 2024

The net OPEB liability as of June 30, 2024, is based on the June 30, 2023, 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.

Chamberlin Owen
Certified Public Accountants

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, 2024 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 5, 2024.

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.*

3216 Dixie Highway ▫ Erlanger, KY ▪ 41018 ▪ Phone 859-431-0700 ▪ www.cnocpa.com

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 5, 2024