

**POINT PLEASANT FIRE PROTECTION DISTRICT**

**FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2014**



**POINT PLEASANT FIRE PROTECTION DISTRICT**

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# Anneken, Huey & Moser PLLC

Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Trustees of  
Point Pleasant Fire Protection District  
Boone County, Kentucky**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities of Point Pleasant Fire Protection District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Point Pleasant Fire Protection District, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and page 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2015, on our consideration of the Point Pleasant Fire Protection 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 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 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 Point Pleasant Fire Protection District's internal control over financial reporting and compliance.

*Annex, Huey & Moser PLLC*

Fort Wright, Kentucky  
February 6, 2015

**POINT PLEASANT FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014**

**Management's Discussion and Analysis**

As management of the Point Pleasant Fire Protection District, we offer readers of the Point Pleasant Fire Protection District's financial statements this narrative overview and analysis of the financial activities of the Point Pleasant Fire Protection District for the fiscal year ended June 30, 2014.

**Financial Highlights**

- The assets of the Point Pleasant Fire Protection District exceeded its liabilities at the close of the most recent fiscal year by \$2,496,481 (net position). Of this amount, \$1,095,060 (unrestricted net assets) may be used to meet the District's ongoing obligations.
- The District's total net position decreased by \$344,547.
- The Point Pleasant Fire Protection District's total debt decreased by \$31,508 (2.2 percent) during the current fiscal year.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Point Pleasant Fire Protection District's basic financial statements. The Point Pleasant Fire Protection District's basic financial statements comprise two components: 1) the combined government-wide and fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Combined Government-Wide and Fund Financial Statements**

These combined statements are intended to give an overall view of the financial condition of the Point Pleasant Fire Protection District and the fund activity of the Governmental Fund. The Point Pleasant Fire Protection District has a single governmental fund.

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

The column for the statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected tax or EMS revenue and unpaid purchases).

The column for the general fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Point Pleasant Fire Protection District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with related legal requirements.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements.

**Other Information**

In addition to the financial statements and the accompanying notes to the financial statements, this report also presents schedules that reflect actual versus budgeted expenditures.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Point Pleasant Fire Protection District, assets exceeded liabilities by \$2,496,481 at the close of the most recent fiscal year.

**Net Positions**

	<b>Governmental-Type Activities</b>	
	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
Cash	\$ 1,190,294	\$ 1,223,225
Tax receivable	5,671	226,460
Other receivable	10,861	23,540
Unamortized bond discount	30,607	31,684
Capital assets, not being depreciated	176,469	176,469
Capital assets, net of accumulated depreciation	2,572,452	2,717,595
<b>TOTAL ASSETS</b>	<b>\$ 3,986,354</b>	<b>\$ 4,398,973</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 70,713	\$ 43,386
Accrued payroll and taxes	29,065	29,801
Accrued pension	17,513	80,668
Long term debt:		
Compensated absences	25,082	20,090
Due within one year	35,000	36,591
Due after one year	1,312,500	1,347,409
<b>TOTAL LIABILITIES</b>	<b>\$ 1,489,873</b>	<b>\$ 1,557,945</b>
<b>NET POSITIONS</b>		
Net investment in capital assets	\$ 1,401,421	\$ 1,510,064
Unrestricted	1,095,060	1,330,964
<b>TOTAL NET POSITIONS</b>	<b>\$ 2,496,481</b>	<b>\$ 2,841,028</b>

At the end of the current fiscal year, the Point Pleasant Fire Protection District is able to report positive balances in both categories of net position. The same holds true for prior year. There was a decrease of \$235,904 in unrestricted net position reported in connection with the Point Pleasant Fire Protection District's governmental activities. These amounts represent the various funds unrestricted for the repayment of debt and ongoing capital needs.

Governmental activities decreased the District's net position by \$344,547. This decrease is largely attributed to decreased tax receipts due from a refund of tax to DHL and increased wages and career benefits during the year. In April of 2013, the District increased their level of emergency services from basic life support to advanced life support. Due to the level of service change, career wages increased during the year. Additionally, while each of these firefighters were obtaining their paramedic license, the District had to pay part-time employees to cover those shifts. The District anticipates the amount of part-time wages will level back off in the next fiscal year now that all of the advanced training has been completed or is in the process of being completed. The increase in wages led to increased payroll taxes and retirement contributions. During the current fiscal year, more part-time employees became eligible for retirement contribution due to the new 1,000 hour minimum across all fire districts. The amount of expenses the District has in a year is greater than the revenue and they are currently operating using funds from their unrestricted net position.

### Changes in Net Positions

	<b>Governmental-Type Activities</b>	
	<b>2014</b>	<b>2013</b>
<b>REVENUES</b>		
Real and tangible tax revenue	\$ 1,529,796	\$ 1,612,834
EMS billings	89,770	95,812
Intergovernmental revenue	144,059	92,888
Other miscellaneous income	10,971	71,090
Interest	1,884	2,403
<b>TOTAL REVENUES</b>	<u>1,776,480</u>	<u>1,875,027</u>
<b>EXPENSES</b>		
Current		
Administrative expense	575,000	607,167
Wages and career benefits, payroll taxes and other fringe	1,507,276	1,396,835
Interest	38,751	34,681
<b>TOTAL EXPENSES</b>	<u>2,121,027</u>	<u>2,038,683</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>(344,547)</u>	<u>(163,656)</u>
<b>NET CHANGES IN NET ASSETS</b>	(344,547)	(163,656)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>2,841,028</u>	<u>3,004,684</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,496,481</u>	<u>\$ 2,841,028</u>

The Statement of Activities reflects a \$344,547 excess of expenses over revenue. Depreciation in the amount of \$212,629 was included in the Statement of Activities. As stated above, the deficiency is attributable to the decrease in tax revenue to a large refund that was paid out to DHL during the year and the increase in wages and career benefits (a 8% increase from prior year) due to the increased level of emergency services.

The tax rates remained unchanged from the prior year. The tax rate was \$0.175 per \$100 assessed



valuation for real estate and \$0.175 per \$100 of assessed valuation for personal property. Fire Protection Districts with Emergency Medical Squads, like Point Pleasant Fire Protection District, are authorized to have a tax rate as high as \$.20 per \$100 of assessed valuation.

### Capital Assets

The Point Pleasant Fire Protection District's investment in capital assets for its governmental type activities as of June 30, 2014, amounted to \$4,466,793. This investment in capital assets includes land, buildings, improvements and fire and medical equipment. There was an increase of less than 1.5% in the total investment in capital assets for the current year.

	<u>2014</u>	<u>2013</u>
Land	\$ 176,469	\$ 176,469
Buildings and improvements	1,689,715	1,687,975
Equipment	626,997	572,215
Furniture and fixtures	78,235	75,706
Vehicles	1,895,377	1,887,469
Total	<u>\$ 4,466,793</u>	<u>\$ 4,399,834</u>

Additional information on the Point Pleasant Fire Protection District's capital assets can be found in Note E.

### Long-term Debt

At the end of the current fiscal year, the Point Pleasant Fire Protection District had total debt outstanding of \$1,372,582. Additionally, an amount for compensated absences is in the long-term debt number. There was a decrease in long-term debt of 2.2% from the prior year.

	<u>2014</u>	<u>2013</u>
Compensated absences	\$ 25,082	\$ 20,090
Capital leases	1,347,500	1,384,000
	<u>\$ 1,372,582</u>	<u>\$ 1,404,090</u>

Additional information on the Point Pleasant Fire Protection District long-term debt can be found in Note F.

### Budget

There were no changes to the original budget.

Actual revenues were more than budgeted amounts by \$2,694. Actual expenditures without the reserve for transfer were less than budgeted amounts by \$78,967.

### Requests for Information

This financial report is designed to provide a general overview of the Point Pleasant Fire Protection District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Point Pleasant Fire Protection District at 3444 Turfway Road, Boone County, KY 41018.

**POINT PLEASANT FIRE PROTECTION DISTRICT**  
**STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET**  
June 30, 2014

	<u>General Fund</u>	<u>Adjustments (Note H)</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>			
Cash	\$ 1,190,294	\$ -	\$ 1,190,294
Tax receivable	5,671	-	5,671
Other receivables	10,861	-	10,861
Unamortized bond discount	30,607	-	30,607
Capital assets not being depreciated	-	176,469	176,469
Capital assets, net of accumulated depreciation	-	2,572,452	2,572,452
<b>TOTAL ASSETS</b>	<u>\$ 1,237,433</u>	<u>\$ 2,748,921</u>	<u>\$ 3,986,354</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 70,713	\$ -	\$ 70,713
Accrued payroll and taxes	29,065	-	29,065
Accrued pension	17,513	-	17,513
Long-term debt			
Compensated absences	-	25,082	25,082
Due within one year	-	35,000	35,000
Due after one year	-	1,312,500	1,312,500
<b>TOTAL LIABILITIES</b>	<u>117,291</u>	<u>1,372,582</u>	<u>1,489,873</u>
<b>FUND BALANCES</b>			
Unassigned	<u>1,120,142</u>	<u>(1,120,142)</u>	
<b>TOTAL FUND BALANCES</b>	<u>1,120,142</u>	<u>(1,120,142)</u>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,237,433</u>	<u>\$ 252,440</u>	
<b>NET POSITION</b>			
Net investment in capital assets		\$ 1,401,421	\$ 1,401,421
Unrestricted		<u>1,095,060</u>	<u>1,095,060</u>
<b>TOTAL NET POSITION</b>		<u>\$ 2,496,481</u>	<u>\$ 2,496,481</u>

See accompanying notes to financial statements.

**POINT PLEASANT FIRE PROTECTION DISTRICT**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE/NET POSITION**  
For the Year Ended June 30, 2014

	<b>General Fund</b>	<b>Adjustments (Note H )</b>	<b>Statement of Activities</b>
<b>REVENUES</b>			
Real and tangible tax revenue	\$ 1,252,956	\$ -	\$ 1,252,956
Payment in lieu of property taxes	252,046	-	252,046
Intergovernmental grants	144,059	-	144,059
Interest	1,884	-	1,884
Motor vehicle	24,794	-	24,794
EMS billings	89,770	-	89,770
Miscellaneous income	10,971	-	10,971
<b>TOTAL REVENUES</b>	<u>1,776,480</u>	<u>-</u>	<u>1,776,480</u>
<b>EXPENDITURES</b>			
Board expenses	10,317	-	10,317
Career benefits, payroll taxes and other fringe	562,524	-	562,524
District insurance	19,571	-	19,571
Dues and subscriptions	5,315	-	5,315
Education assistance	2,620	-	2,620
Fuel and oil	20,687	-	20,687
Internship program	33,163	-	33,163
Maintenance	38,946	-	38,946
Supplies and materials	22,377	-	22,377
Other contractual services	68,886	-	68,886
Other district services	24,113	-	24,113
Professional services	32,635	-	32,635
Salaries and wages	939,760	4,992	944,752
Travel and training	45,927	-	45,927
Uniforms	7,274	-	7,274
Utilities	29,463	-	29,463
Amortization	1,077	-	1,077
Depreciation	-	212,629	212,629
Debt service:			
Principal retirement	36,500	(36,500)	-
Interest	38,751	-	38,751
Capital outlay:			
Building, equipment, furniture and vehicles	67,486	(67,486)	-
<b>TOTAL EXPENDITURES</b>	<u>2,007,392</u>	<u>113,635</u>	<u>2,121,027</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(230,912)</b>	<b>(113,635)</b>	<b>(344,547)</b>
FUND BALANCE/NET POSITION, BEGINNING OF YEAR	<u>1,351,054</u>	<u>1,489,974</u>	<u>2,841,028</u>
FUND BALANCE/NET POSITION, END OF YEAR	<u>\$ 1,120,142</u>	<u>\$ 1,376,339</u>	<u>\$ 2,496,481</u>

See accompanying notes to financial statements.

**POINT PLEASANT FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The Point Pleasant Fire Protection District is a governmental unit, which was formed in accordance with Kentucky Revised Statute 75. The District provides fire protection for the Point Pleasant area located in Boone County, Kentucky. The District is a governmental unit.

The District is the primary, special purpose government responsible for all fire protection within its service areas. As a result, all significant activities have been included in the government-wide financial statements. The District's financial statements represent those of a stand-alone government, as there are no component units.

The accounting policies of the Point Pleasant Fire Protection District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies:

Fund Accounting

The financial statement presentation for the District includes separate columns reporting a statement of net position and a statement of activities. These statements present a government-wide presentation of all activities of the District. A separate governmental funds column in the financial statements presents the governmental funds balance sheet and the statement of revenues, expenditures and changes in fund balance.

Major Funds

The District reported the following governmental fund in the accompanying financial statements:

General Fund – The General Fund is the general operating fund of the District. It is to be used to account for all financial resources except those required to be accounted for in another fund. The major revenue sources for this fund are property taxes, grants, EMS billings, and interest income. Expenditures are made for general expenses not required to be accounted for in another fund.

Basis of Accounting, Measurement Focus, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

**POINT PLEASANT FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

The government-wide financial statements are reported using the economic resources management focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Furthermore, both long term and current assets and liabilities are included in the statement of net position.

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. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A 60 day availability period is used for revenue recognition for governmental fund revenues. Expenditures are recorded when the related fund liability is incurred.

Budget

Once approved, the Board of Trustees may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenses.

Revenue

The District's primary source of revenue is from property and franchise taxes levied by the District and collected by the Boone County Sheriff's Office. The portion payable to the Fire District is then forwarded to the District on a monthly basis. Property taxes are levied as of January 1 on property assessed as of the same date.

Receivables

No allowance for doubtful accounts is required.

Capital Assets

Capital assets are recorded at cost net of accumulated depreciation in the entity-wide statement of net assets. The District defines capital assets as assets with an initial, individual cost of more than \$500. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets of the District are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Equipment	5-10
Vehicles	5-20
Furniture and fixtures	5-7

**POINT PLEASANT FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

Prepays

Prepays record payments to vendors that benefit future reporting periods, such as insurance.

Income Tax Status

The District is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code.

Pervasiveness of Estimates

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

Fair Value of Financial Instruments

The carrying amount reflected in the balance sheet for cash and certificates of deposit approximates fair value due to the short maturity of the instruments.

Long-Term Obligations

In the entity-wide financial statements, long-term debt and other long-term obligations are reported as liabilities.

The governmental fund financial statements recognize the proceeds of debt and leases as other financing sources of the current period. Payments of principal and interest are reported as expenditures.

Net Position

Net position is the residual between assets, deferred outflows of resources and liabilities and deferred inflows of resources. Net assets invested in capital assets, net of related debt, are capital assets less accumulated depreciation, and any outstanding debt related to acquisition, construction, or improvement of those assets.

In the fund financial statements, government funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**POINT PLEASANT FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

Investment Policy

The District's investment policy allows investments only in the form of certificates of deposit at local banks in Boone County, Kentucky, which offer the greatest interest rate.

Subsequent Events

Subsequent events have been evaluated through February 6, 2015, the date the financial statements were available to be issued.

Fire Taxation

Property taxes are assessed as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable on or before December 31. The tax payer may, however, receive a 2% discount if the taxes are paid by early November. All unpaid taxes become delinquent January 1 of the following year.

The property taxes are billed and collected by the Boone County Sheriff. The portion payable to the District is then forwarded to the District on a monthly basis. The District records tax revenue once it has been collected by the County Sheriff

A majority of the property taxes are received during the month of November each year. The County Sheriff withholds a portion of the property taxes as a collection fee.

The District's property tax rate is set annually by the District's Board of Trustees. The real estate property tax rate was \$0.175 per \$100 of valuation and tangible rate was \$0.175 per \$100 of valuation for the fiscal year ending June 30, 2014.

Property taxes on motor vehicles are billed and collected by the Boone County Clerk. These taxes are levied on the first day of the motor vehicle owner's birth month and are due payable on or before the last day of that month. All unpaid taxes become delinquent on the first day of the subsequent month. The portion payable is forwarded to the District on a monthly basis. The taxes are collected evenly throughout the year. The County Clerk withholds a portion of the motor vehicles taxes collected as a collection fee.

Out-of-county motor vehicle taxes as well as omitted tangible property taxes are collected by Kentucky Department of Revenue and forwarded to the District on a quarterly basis. These tax collections are unpredictable. The Kentucky Department of Revenue withholds a portion of the taxes collected as a public service charge back fee.

**POINT PLEASANT FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

Deferred Outflows of Resources

The District reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide statements of net position. No deferred outflows of resources affect the District in the current year.

Deferred Inflows of Resources

The District reports increases in net assets that relate to future periods as deferred inflows of resources in a separate section of its government-wide statements of net position. No deferred inflows of resources affect the District in the current year.

**NOTE B - CASH AND INVESTMENTS**

Cash included demand deposits as well as certificates of deposit.

Kentucky Revised Statute 66.480 authorizes the District to invest in the following with certain exceptions:

1. Obligations of the United States and of its agencies and instrumentalities.
2. Certificates of deposit.
3. Bankers' acceptances.
4. Commercial paper Bonds of this or other states or local governments.
5. Mutual funds.

Concentration of Credit Risk – The District has no policy which limits the concentration of credit risk.

Custodial Credit Risk – Deposits For deposits, this is the risk that, in the event of bank failure, the District's deposits will not be returned. The District maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law the depository has pledged securities, in conjunction with the FDIC insurance, in an amount at least equal to the amount of district funds on deposit at all times.

Deposits in financial institutions, reported as components of cash, cash equivalents, had a bank balance of \$1,218,388 at June 30, 2014, that was insured by depository insurance or secured with collateral held by the financial institution in the District's name.

**NOTE C – DONATED SERVICES**

The District does not record the donated services of volunteers.



**POINT PLEASANT FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE D – TARGET BENEFIT PLAN**

Effective July 1, 1999, the District adopted the Point Pleasant Fire Protection District Employee Retirement Plan, a target benefit plan for substantially all full-time, career employees. Employees are eligible after six months of service and after reaching age 18. Employees must have four percent of their eligible compensation withheld, which will be funded into the plan. The District will contribute to the plan, each year, the annual level funding amount which is projected to be necessary to fund the plan, less the four percent funded by the employees. The projected amount is calculated as the sum of 3% of each employee's average monthly compensation multiplied by each employee's total number of projected years of service. The required total employer contribution for the year ended June 30, 2014 is \$71,393, according to the Plan's actuary and has been accrued.

**NOTE E - CHANGE IN CAPITAL ASSETS**

A summary of changes in capital assets follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 176,469	\$ -	\$ -	\$ 176,469
Total capital assets, not being depreciated	176,469	-	-	176,469
Capital assets, being depreciated:				
Building and improvements	1,687,975	1,740	-	1,689,715
Equipment	572,215	55,309	(527)	626,997
Furniture and fixtures	75,706	2,529	-	78,235
Vehicles	1,887,469	7,908	-	1,895,377
Total capital assets, being depreciated	4,223,365	67,486	(527)	4,290,324
Less accumulated depreciation:				
Building and improvements	621,786	43,112	-	664,898
Equipment	305,870	50,104	(527)	355,447
Furniture and fixtures	72,908	1,603	-	74,511
Vehicles	505,206	117,810	-	623,016
Total accumulated depreciation	1,505,770	212,629	(527)	1,717,872
Total capital assets, being depreciated, net	2,717,595	(145,143)	-	2,572,452
Capital assets, net	<u>\$ 2,894,064</u>	<u>\$(145,143)</u>	<u>\$ -</u>	<u>\$ 2,748,921</u>

**POINT PLEASANT FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2014

**NOTE F - LONG-TERM DEBT**

In May 2007, a capital lease agreement was entered into for the purchase and renovation of the fire station. This lease was refinanced in November of 2012.

In November 2012, a capital lease agreement was entered into for the purchase of a fire truck and for the refinance of the May 2007 lease agreement for the construction of the fire station.

The District allows employees to accumulate unused sick leave to a maximum of 30 days. Earned vacation time is generally required to be used within one year of accrual. Upon termination, accumulated sick leave is forfeited and any accumulated vacation that was not allowed to be taken due to work-related assignments, will be paid to the employee. As of June 30, 2014 the liability for accrued vacation leave was \$25,082.

The following is a summary of changes in the capital lease agreement of the District for the year ended June 30, 2014:

	<b>Beginning Balance July 1, 2013</b>	<b>Issued/ Addition</b>	<b>Retired/ Refinanced</b>	<b>Ending Balance June 30, 2014</b>	<b>Due Within One Year</b>
Compensated absences	\$ 20,090	\$ 4,992	\$ -	\$ 25,082	\$ -
Building and equipment lease	1,384,000	-	(36,500)	1,347,500	35,000
	<u>\$ 1,404,090</u>	<u>\$ 4,992</u>	<u>\$ (36,500)</u>	<u>\$ 1,372,582</u>	<u>\$ 35,000</u>

The capital lease agreement at June 30, 2014 is comprised of the following:

(3.27% bond pool rate with the Kentucky Association of Counties Finance Corporation. District will make monthly payments that will vary from year to year. The monthly payments will consists of principal, interest, and program fees. The lease matures February 1, 2043. The lease is secured by a building and a fire truck with a cost, net of accumulated depreciation of \$1,609,942 at June 30, 2014).

\$ 1,347,500

**POINT PLEASANT FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2014

**NOTE F - LONG-TERM DEBT – (continued)**

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014 are as follows:

<u>Year ending</u> <u>June 30,</u>	
2015	\$ 77,804
2016	77,191
2017	76,491
2018	75,704
2019	74,916
2020-2024	379,383
2025-2029	371,859
2030-2034	368,075
2035-2039	368,076
2040-2043	254,232
Total minimum lease payments	<u>2,123,731</u>
Less: amount representing interest	<u>776,231</u>
Present value of future minimum lease payments	<u>\$ 1,347,500</u>

**NOTE G – EMPLOYEE RETIREMENT SYSTEM**

County Employees Retirement System (CERS)

District employees who work at least 100 hours per month may participate in the County Employees Retirement System (CERS). Under the provision of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS.

The plan issues separate financial statements which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each county and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of the state legislature.

**POINT PLEASANT FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE G – EMPLOYEE RETIREMENT SYSTEM – (continued)**

Non-hazardous Contributions – For the year ended June 30, 2014, plan members were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2014, participating employers contributed 18.89% of each employee’s creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Hazardous Contributions – For the year ended June 30, 2014, plan members were required to contribute 8% or 9% of their creditable compensation dependent on their date of hire. The state was required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2014, participating employers contributed 35.7% of each employee’s creditable compensation, determined by an actuary. Administrative costs of KRS are financed through employer contributions and investment earnings.

The District’s required contribution was \$189,359 and the actual percentage contributed by the District was 100% for 2014.

**NOTE H – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The financial statement for the governmental fund balance sheet and statement of net assets includes an adjustments column representing the reconciliation between fund balances reported in the fund financial statement and net assets reported in the entity-wide statement. The details of the reconciling items are as follows:

When capital assets (land, buildings, and other capital assets) to be used in government activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the District as a whole.

**POINT PLEASANT FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2014

**NOTE H – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - (continued)**

Capital assets, not being depreciated	
Land	\$ 176,469
Capital assets, at cost	
Building and improvements	1,689,715
Equipment	626,997
Furniture and fixtures	78,235
Vehicles	1,895,377
Accumulated depreciation	(1,717,872)
	<u>\$ 2,748,921</u>

Debt and compensated absences are not reported in the governmental funds, but are reported in the statement of net assets.

Compensated absences	<u>\$ 25,082</u>
Debt due within one year	<u>\$ 35,000</u>
Debt due after one year	<u>\$ 1,312,500</u>

Explanation of certain differences between the governmental fund statements of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The financial statement for the governmental fund statement of revenues, expenditures, and changes in fund balance and statement of activities includes an adjustment column representing the reconciliation between net changes in fund balance and changes in net position reported in the entity-wide statement. The details of the reconciling items are as follows:

Changes in compensated absences do not require the use of current financial resources and therefore, are not reported as expenditures in government funds.

Changes in compensated absences	<u>\$ 4,992</u>
---------------------------------	-----------------

When capital assets to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, the fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

**POINT PLEASANT FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE H – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - (continued)**

Depreciation \$ 212,629

Debt principal payments are shown as expenditures in the governmental funds statements.

Debt service principal \$ (36,500)

Capital outlay is shown as expenditure in the governmental funds statements.

Capital outlay \$ (67,486)

**NOTE I – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters, for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage in fiscal year June 30, 2014.

**NOTE J – RELATED PARTY TRANSACTIONS**

The District incurred costs of \$18,090 for accounting services and \$3,990 for lawn maintenance rendered by board members during the year. The District also uses the services of a family member of a board member to conduct administrative services. As of June 30, 2014, the District spent \$3,734 on administrative services.

**NOTE K – FUND BALANCE REPORTING**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

**POINT PLEASANT FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE K – FUND BALANCE REPORTING – (continued)**

1. *Nonspendable* fund balance includes amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
2. *Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. *Committed* fund balance classification includes amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
4. *Assigned* fund balance classification is intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
5. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

There are no policies that exist with regards to fund balance.

**REQUIRED SUPPLEMENTARY INFORMATION**



**POINT PLEASANT FIRE PROTECTION DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
For the Year Ended June 30, 2014

	Budgetary Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Tax revenue	\$ 1,532,500	\$ 1,532,500	\$ 1,529,796	\$ (2,704)
Intergovernmental revenue	128,386	128,386	144,059	15,673
Interest	15,000	15,000	1,884	(13,116)
EMS billings	90,000	90,000	89,770	(230)
Miscellaneous income	7,900	7,900	10,971	3,071
<b>TOTAL REVENUES</b>	<b>1,773,786</b>	<b>1,773,786</b>	<b>1,776,480</b>	<b>2,694</b>
<b>EXPENDITURES</b>				
Administration	93,000	93,000	87,025	5,975
Personnel services	1,539,126	1,539,126	1,502,284	36,842
Contractual services	238,300	238,300	251,892	(13,592)
Supplies and materials	24,750	24,750	14,957	9,793
Fire equipment	20,500	20,500	7,420	13,080
Reserve for transfer	987,592	987,592	-	987,592
Amortization	-	-	1,077	(1,077)
Debt service				
Principal retirement	36,750	36,750	36,500	250
Interest	45,500	45,500	38,751	6,749
Capital outlay				
Building, equipment, furniture and vehicles	88,433	88,433	67,486	20,947
<b>TOTAL EXPENDITURES</b>	<b>3,073,951</b>	<b>3,073,951</b>	<b>2,007,392</b>	<b>1,066,559</b>
<b>NET EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,300,165)</b>	<b>(1,300,165)</b>	<b>(230,912)</b>	<b>1,069,253</b>
FUND BALANCE/NET POSITION, BEGINNING OF YEAR	1,300,165	1,300,165	1,351,054	50,889
FUND BALANCE/NET POSITION, END OF YEAR	\$ -	\$ -	\$ 1,120,142	\$ 1,120,142



# Anneken, Huey & Moser<sup>P.C.</sup>

Certified Public Accountants

*Engaged. Responsive. Future-focused.*

## 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 Trustees of  
Point Pleasant Fire Protection District  
Boone County, 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 of Point Pleasant Fire Protection District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which comprise the District's basic financial statements and have issued our report thereon dated February 6, 2015.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Point Pleasant Fire Protection District's internal control over financial reporting (internal control) to determine the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, as described below, that we consider to be significant deficiencies.

*The District does not have sufficient, capable, expertise to prepare the financial statements or footnote disclosures required in GAAP-basis financial statements.*

Condition: The District's system of internal controls does not include controls related to the preparation of complete, external, entity-wide GAAP-basis, annual financial statements, including footnote disclosures.

Criteria: A complete system of internal controls would extend to the annual financial statements prepared for external reporting purposes.

Effect: Annual financial statements prepared are currently only useful for internal reporting.

Recommendation: The District should consider whether the benefit derived from expanding the system of internal control exceeds the costs involved.

Auditee's Response: The District does not possess the audit and accounting skills necessary to prepare the footnotes disclosures required by entity-wide GAAP basis financial statements. The District believes the cost of acquiring such skills exceeds the benefit of doing so. The District has engaged Anneken, Huey & Moser, PLLC to draft the financial statements, supplementary information, and related notes. However, the District remains responsible for making all management decisions and performing all management functions related to the financial statements, supplementary financial information, and related notes, and for accepting full responsibility for such decisions. The District has acknowledged in the management representation letter that they have reviewed and approved the financial statements, supplementary financial information, and related notes prior to their issuance, and have accepted responsibility for them. Further, the District has designated an individual with suitable skill, knowledge, or experience to oversee any such services provided and for evaluating the adequacy and results of those services and accepting responsibility for them.

#### *Lack of Segregation of Duties*

Condition: We noted that due to the size of the District and financial considerations, the executing and recording of transactions are performed by the same person.

Criteria: The process of executing a transaction should be segregated from the process of recording the transaction.

Effect: Segregation of duties is a necessary part of any system of internal control. Lack of segregation of duties could allow for receipts to be diverted away from the District and expenses not attributed to the District being paid from the District's cash account.

Recommendation: Internal controls should continue to be implemented to segregate the duties of the personnel. Controls should be monitored to ascertain that they are sufficient to reduce the risk of material misstatement to an acceptable level.

Auditee's Response: The District is going to begin having other members of District management and the board taking part in the receipts and expense process to increase the segregation of duties.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Point Pleasant Fire Protection District's financial statements are free from 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and

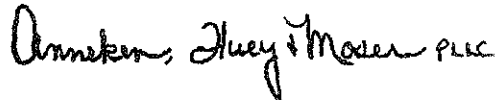
accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Point Pleasant Fire Protection District's Response to Findings**

The District's response to the findings identified in our audit is described above. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope 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 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.



**ANNEKEN, HUEY & MOSER, PLLC**

Ft. Wright, KY 41011

February 6, 2015