

PEWEE VALLEY
FIRE PROTECTION DISTRICT

PRIMARY GOVERNMENT
FINANCIAL STATEMENTS

JUNE 30, 2014

PEWEE VALLEY FIRE PROTECTION DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To The Board Of Trustees
Pewee Valley Fire Protection District, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the primary governmental activities and each major fund of Pewee Valley Fire Protection District, Kentucky (District), as of and for the year ended June 30, 2014, and the related notes to primary government financial statements, which collectively comprise the basic financial statements of the District's primary government 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.

Opinions

The financial statements do not include financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for component units to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component unit. The District has not issued such reporting entity financial statements. However, the component unit reported no activity during the year ended June 30, 2014 and, therefore, the exclusion of the component unit has no effect on the assets, liabilities, net position, revenues or expenses reflected in the primary government financial statements.

In our opinion, except for the effects of omitting the blended component unit as discussed above, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of the District as of June 30, 2014, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the primary governmental activities and each major fund of the 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 conformity 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 budgetary comparison information on page 14 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.

Pewee Valley Fire Protection District, Kentucky has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014, on our consideration of the Pewee Valley Fire Protection District, Kentucky'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 the District's internal control over financial reporting and compliance.

Kelly King & Co.

Kelly King & Co.
Crestwood, KY
December 9, 2014

Pewee Valley Fire Protection District
 Primary Government Statement Of Net Position
 June 30, 2014

	Governmental Activities
ASSETS	
Cash And Cash Equivalents	\$ 631,298
Receivables:	
Property Tax Receivable	3,238
Other Receivables	-
Capital Assets, Net Of Depreciation	2,265,307
Total Assets	2,899,843
LIABILITIES	
Accounts Payable	30,451
Noncurrent Liabilities	
Due Within One Year	120,543
Due After One Year	586,407
Total Liabilities	737,401
NET POSITION	
Net Position:	
Invested In Capital Assets	1,558,357
Unrestricted	604,085
Total Net Position	\$ 2,162,442

See independent auditor's report and accompanying
 notes to primary government financial statements.

Pewee Valley Fire Protection District
 Primary Government Statement Of Activities
 June 30, 2014

	Program Revenues			Net (Expenses) Revenue And Changes In Net Assets
Program Activities:	Fees And Charges	Operating Grants And Contributions	Capital Grants And Contributions	Total
Governmental Activities:	Expenses	For Services	Contributions	Total
General Administration	\$ 145,328	\$ -	\$ 7,750	\$ (137,578)
Equipment Purchase & Maintenance	45,132	-	-	(45,132)
Insurance	27,791	-	-	(27,791)
Depreciation	96,794	-	-	(96,794)
Total Governmental Activities	\$ 315,045	\$ -	\$ 7,750	(307,295)
General Revenues:				
Property Taxes				433,729
Interest Income				186
Other Income				400
				434,315
Total General Revenues				434,315
Change In Net Position				127,020
Net Position At Beginning Of Year				2,035,422
Net Position At End Of Year				\$ 2,162,442

See independent auditor's report and accompanying notes to primary government financial statements.

Pewee Valley Fire Protection District
 Balance Sheet
 Primary Government Funds
 June 30, 2014

		Governmental Funds
ASSETS		
Cash And Cash Equivalents	\$	631,298
Receivables		
Property Tax Receivable		3,238
Other Receivables		-
		-
 Total Assets	 \$	 634,536
LIABILITIES		
Accounts Payable	\$	30,451
Total Liabilities		30,451
FUND BALANCES/NET ASSETS		
Unrestricted Fund Balances		604,085
Total Fund Balance		604,085
 Total Liabilities And Fund Balances	 \$	 634,536

See independent auditor's report and accompanying
 notes to primary government financial statements.

Pewee Valley Fire Protection District
Reconciliation Of The Balance Sheet-Primary Government
To Primary Government Statement Of Net Position
June 30, 2014

Total Fund Balance-Total governmental funds	\$ 604,085
Amounts reported for governmental activities in the statement of net position are different because:	
Capital Assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet	2,265,307
Long term liabilities are not due in the current period and, therefore, are not reported in the governmental funds balance sheet:	
Due within one year	\$ 120,543
Due in more than one year	586,407
	<u>(706,950)</u>
Net position of governmental activities	<u>\$ 2,162,442</u>

See independent auditor's report and accompanying notes to primary government financial statements.

Pewee Valley Fire Protection District
Statement Of Revenues, Expenditures And Changes In Fund Balances
Primary Government Funds
For The Year Ended June 30, 2014

	<u>Governmental Funds</u>
REVENUES	
Property Taxes	\$ 433,729
Commonwealth Of Kentucky	7,750
Interest & Dividend Income	186
Other Income	<u>400</u>
Total Revenues	<u>442,065</u>
EXPENDITURES	
General Administration	145,328
Equipment Purchase & Maintenance	45,132
Insurance	27,791
Capital Outlay	<u>477,381</u>
Total Expenditures	<u>695,632</u>
Excess (Deficiency) Of Revenues Over Expenditures	(253,567)
Fund Balance At Beginning Of Year	<u>857,652</u>
Fund Balance At End Of Year	<u>\$ 604,085</u>

See independent auditor's report and accompanying
notes to primary government financial statements.

Pewee Valley Fire Protection District
Reconciliation Of The Statement Of Revenues, Expenditures And Changes
In Fund Balances-Primary Government To The Primary Government Statement Of Activities
For The Year Ended June 30, 2014

Net changes in fund balances - total governmental funds	\$ (253,567)
Amounts reported for primary government activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the government-wide financial statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	477,381
Depreciation expense on capital assets is reported in the primary government statement of activities and changes in net position but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in primary government funds	<u>(96,794)</u>
Change in net position of governmental activities	<u>\$ 127,020</u>

See independent auditor's report and accompanying notes to primary government financial statements.

Pewee Valley Fire Protection District

Notes To Primary Government Financial Statements

June 30, 2014

Note A-Summary Of Significant Accounting Policies

1. General Statement

The Pewee Valley Fire Protection District, Kentucky (District) was incorporated under the provisions of the Commonwealth of Kentucky. The District is governed by a Board of Trustees and provides the following services as authorized by its charter: public service and public safety.

The financial statements and notes are representations of the District's management who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements. Such 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 reported period. Actual results could differ from those reported.

2. Financial Reporting Entity

In evaluating the District as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the District may be financially accountable and, as such, should be included within the District's financial statements. The District (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the District. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on the aforementioned criteria, the District has one component unit: Pewee Valley Fire District Foundation Incorporated.

These financial statements include only the primary government of the District, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the District's legal entity. These financial statements do not include financial data for the District's legally separate component unit, which accounting principles generally accepted in the United States of America require to be presented with the financial statements of the District's primary government.

3. Basis Of Presentation

The primary government financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Primary Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. Internal service fund activity is eliminated to avoid "doubling up"

Pewee Valley Fire Protection District

Notes To Primary Government Financial Statements

June 30, 2014

revenues and expenses. Fiduciary funds are also excluded from the primary government financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balances of current financial resources. The District has presented the following major governmental funds:

General Fund

The General Fund is the general operating fund of the District. It is used to account for all financial resources.

4. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The primary government financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which the primary government fund financial statements are prepared. Primary government fund financial statements do not include the effect of capital assets. Therefore, primary government fund financial statements have been reconciled with primary government financial statements.

Property Taxes are the only major revenue source susceptible to accrual.

5. Capital Assets And Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District as a whole. When purchased, such assets are recorded as expenditures in the primary government funds. However, assets are only to be capitalized in primary government financial statements and are not to be intermingled with fund financial statements.

As is appropriate for Phase 3 Governments (governments with annual revenues less than \$10 million), and in compliance with GASB Statement No. 34 which the District adopted as of June 30, 2002, the District has elected not to report

Pewee Valley Fire Protection District

Notes To Primary Government Financial Statements

June 30, 2014

infrastructure assets in its financial statements acquired before June 30, 2002 except for those assets with cost information readily available. The valuation base for general capital assets is historical cost.

The minimum capitalization threshold is any individual item with a total cost greater than \$2,500.

Depreciation of capital assets is computed and recorded by the straight-line method.

6. Budgets And Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. The District Treasurer submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- B. A public hearing is conducted to obtain taxpayer comments.
- C. The budget is legally adopted by the Board of Trustees.

Note B-Cash, Cash Equivalents And Restricted Cash

The District maintains its deposits with 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 time. The carrying amount (book balance) of the District's deposits was \$631,298 and the bank balance was \$648,689. As of June 30, 2014 all District funds were insured or collateralized with securities held by the entity or by its agent in the entity's name.

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be returned. The District does not have a formal deposit policy for custodial credit risk.

Note C-Property Taxes Receivable And Property Tax Calendar

Property taxes receivable are recorded in the General Fund. At the fiscal year-end, the receivables represent measurable collections of current and delinquent taxes and accrued penalties and interest.

The District levies property taxes on qualifying property assessed as of January 1 each year. The Sheriffs of Oldham and Shelby Counties collect substantially all property tax revenues and remit to the District monthly its portion less applicable discounts and collection commissions.

Pewee Valley Fire Protection District

Notes To Primary Government Financial Statements

June 30, 2014

Note D-Capital Assets And Depreciation

Capital assets of all funds are stated at historical cost. Primary government fund fixed assets are recorded in the primary government financial statements and are depreciated using the straight-line method.

A summary of the changes in general fixed assets is as follows:

<u>Government Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated:				
Buildings	\$ 1,008,454	\$1,090,784	\$ -	2,099,238
Land	215,000	-	-	215,000
Equipment	489,241	19,281	-	508,522
Vehicles	<u>1,477,624</u>	<u>-</u>	<u>-</u>	<u>1,477,624</u>
Subtotal	<u>3,190,319</u>	<u>1,110,065</u>	<u>-</u>	<u>4,300,384</u>
Less Accumulated Depreciation:				
Buildings	311,026	25,823	-	336,849
Land	-	-	-	-
Equipment	249,565	38,137	-	287,702
Vehicles	<u>1,377,692</u>	<u>32,834</u>	<u>-</u>	<u>1,410,526</u>
Subtotal	<u>1,938,283</u>	<u>96,794</u>	<u>-</u>	<u>2,035,077</u>
Primary Government Capital Assets-Net Of Depreciation	<u>\$ 1,252,036</u>	<u>\$1,013,271</u>	<u>\$ -</u>	<u>\$ 2,265,307</u>

Additional information is included on capital assets and depreciation in Note A and Note F.

Note E-General Long-Term Debt

During the year ended June 30, 2008 the District entered into an agreement with Comerica Leasing to provide financing for the purchase of a 2007 Seagrave Quint fire truck. The district borrowed \$473,565 on a 7 year note with interest of 4.21%. The loan agreement provides for annual payments of \$77,390.15 commencing December 30, 2007 and annually thereafter through December 30, 2013. The debt has been completely repaid as of the December 2013 payment.

In August 2013 the District executed a lease agreement with Republic First National to finance \$172,373 for the purchase of equipment. The district borrowed \$172,373 on a 4 year note with interest of 3.98%. The loan agreement provides for two annual payments of \$23,520.84 commencing December 15, 2013 and every six months thereafter through June 15, 2017.

In March 2014 the District entered into an agreement with Republic First National to provide financing for the construction of a fire station on the land the District received from the Commonwealth of Kentucky (Note H). Republic First National will provide financing up to \$1,600,000 on a 15 year note with interest of 3.915%. The loan agreement provides for annual payments of \$99,395.45

Pewee Valley Fire Protection District
Notes To Primary Government Financial Statements

June 30, 2014

commencing December 20, 2014 and annually thereafter through December 20, 2028. Through June 30, 2014 the District has made draws on the loan totaling \$561,006.

Additional information is included on the fire station in Note F.

Note F-Fire Station 2

On November 23, 2010 the Commonwealth of Kentucky conveyed five acres of land to Pewee Valley Fire Protection District at no cost for the purpose of constructing a second fire station for the District. Title shall immediately revert to the Commonwealth of Kentucky should the property fail to be used for its intended public purpose. The District recorded the land on its books at \$80,000, the fair market value of the land on the date of conveyance.

In October 2013 the District entered into an agreement to construct Fire Station 2 on the land mentioned above. The projected cost of construction is approximately \$1,600,000. Construction commenced in the fiscal year ended June 30, 2014 and is expected to be complete in October 2014. Through June 30, 2014 construction costs total \$1,145,503.

Note G-Risk Management

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, etc. The District has commercial insurance to cover the risks of these losses. There were no insurance claims filed during the current year and no insurance claims outstanding as of June 30, 2014.

Note H-Component Unit

As disclosed in Note A Pewee Valley Fire District Foundation Incorporated is a component unit of Pewee Valley Fire Protection District. Pewee Valley Fire District Foundation Incorporated reported no assets, liabilities, net position, revenues or expenses for the year ended June 30, 2014.

Note I-Subsequent Events

District management has evaluated subsequent events through December 9, 2014, which is the date the financial statements were available to be issued, and have determined that, beyond the ongoing construction of the fire station per Note F, no subsequent events require reporting.

Pewee Valley Fire Protection District
 Required Supplementary Information
 Statement Of Revenues, Expenditures And Changes In Fund Balances
 Budget And Actual
 For The Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Property Taxes	\$ 449,132	\$ 449,132	\$ 433,729	\$ (15,403)
Commonwealth Of Kentucky	7,750	7,750	7,750	-
Interest Income	1,000	1,000	186	(814)
Other Income	600	600	400	(200)
Total Revenues	<u>458,482</u>	<u>458,482</u>	<u>442,065</u>	<u>(16,417)</u>
Expenditures:				
General Administration	191,859	191,859	145,328	(46,531)
Equipment Purchase & Maintenance	52,650	52,650	45,132	(7,518)
Insurance	28,200	28,200	27,791	(409)
Capital Outlay	185,773	185,773	477,381	291,608
Total Expenditures	<u>458,482</u>	<u>458,482</u>	<u>695,632</u>	<u>237,150</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(253,567)</u>	<u>\$ (253,567)</u>
Fund Balance At Beginning Of Year			<u>857,652</u>	
Fund Balance At End Of Year			<u>\$ 604,085</u>	

See independent auditor's report and accompanying notes to primary government financial statements.



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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
Pewee Valley Fire Protection District, 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 primary government activities and each major fund of Pewee Valley Fire Protection District, Kentucky (District), as of and for the year ended June 30, 2014, and the related notes to the primary government financial statements, which collectively comprise the District's primary government financial statements and have issued our report thereon dated December 9, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider deficiency 2014-2 described in the accompanying schedule of findings to be a material weakness.

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. We consider deficiency 2014-1 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Pewee Valley Fire Protection District, Kentucky's Response to Findings

Pewee Valley Fire Protection District, Kentucky's response to the findings identified in our audit is described in the accompanying schedule of findings. 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 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.

Kelly King & Co.

Kelly King & Co.
Crestwood, Kentucky
December 9, 2014

Pewee Valley Fire Protection District
Schedule Of Findings And Responses
June 30, 2014

Finding:

2014-1

The Pewee Valley Fire Protection District (District) is required to have internal controls in place that enable it to prepare complete financial statements, including note disclosures, in compliance with generally accepted accounting principles.

The District lacks personnel with the expertise to apply generally accepted accounting principles in preparing its financial statements including note disclosures and thus, does not have the internal control procedures required to take responsibility for the financial statement in conformity with generally accepted accounting principles.

Management engaged the auditor to prepare draft financial statements, including the related notes to the financial statement. Management reviewed, approved and accepted responsibility for the financial statements as prepared by the auditor for compliance with generally accepted accounting principles.

We recommend management review the costs and benefits involved to retain a consultant with the required expertise to prepare the financial statements or review the financial statements as prepared by the auditor for compliance with generally accepted accounting principles.

Management Response:

Management has determined that it is more cost effective to continue to engage the auditor to draft the financial statements and related notes.

Finding:

2014-2

The District is required to have appropriate internal controls in place to provide for segregation of duties over its financial reporting. A fundamental concept is that no employee should have access to all phases of a transaction.

Appropriate segregation of duties is affected by limited personnel.

We recommend that management continue to develop procedures to monitor the financial activities where personnel are limited.

Management Response:

Management has evaluated their significant classes of transactions over financial reporting and has identified control enhancements which will be implemented by January 2015 specifically regarding cash receipts and cash disbursements. These control enhancements primarily include increased transparency and reporting of activities to the board of trustees on a monthly basis, which include the following:

Pewee Valley Fire Protection District
Schedule Of Findings And Responses
June 30, 2014

- Each board meeting, someone on the board other than the treasurer or bookkeeper reviews the date ranges to ensure current reports start where prior month reports ended [to confirm complete reporting by date].
- Each board meeting, someone on the board other than the Treasurer or bookkeeper reviews the check sequences on the check detail to confirm sequentially numbering from prior month report [to confirm complete reporting by transaction].
- Include column for "processed by" on the check detail and deposit detail to provide visibility into activity entered by treasurer or bookkeeper.
- Chairman shall review and approve the completed bank reconciliations prepared by the treasurer or bookkeeper monthly, which shall be the meeting subsequent to the month-end close of the bank statement.
- Treasurer and bookkeeper shall require a physical stamp of approval for "OK TO PAY" by the Chief [which includes signatures or initials] OR the appropriate budget line item owner before being processed.
- Treasurer and bookkeeper shall make original vendor invoices available for board member inspection during the meeting and approvals of related disbursements.
- The board will authorize the check signatories to sign checks after approving invoices for payments on a monthly basis at the board meetings. Checks required to be issued that have not been approved by the board require two signatories.

Furthermore, Management shall create and adopt written financial policies with respect to the initiation, authorization, processing and recording of vendor invoices, check disbursements and check receipts, which expressly provide for adequate segregation of duties.