POINT PLEASANT FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

POINT PLEASANT FIRE PROTECTION DISTRICT

TABLE OF CONTENTS

Anneken, Huey & Moser PLLC
Certified Public Accountants
Engaged. Responsive. Future-focused.

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, 2015, 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.

909 Wright's Summit Parkway | Suite 120 | Fort Wright, KY 41011-2783 | 859.331.5622 | ♦ | 20 North Grand Avenue | Suite 5 | Fort Thomas, KY 41075-1755 | 859.441.2020

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, 2015, 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, schedule of proportionate share of the net pension liability, schedule of required contributions, and budgetary comparison schedule on pages 3 through 7, page 40, page 41, and page 42, respectively, 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 March 3, 2016, 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.

Arneken, Huey & Moser PLLC

Fort Wright, Kentucky
March 3, 2016

POINT PLEASANT FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

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, 2015.

Financial Highlights

- The assets of the Point Pleasant Fire Protection District exceeded its liabilities at the close of the most recent fiscal year by $873,854 (net position). Of this amount, $(369,290) (unrestricted net assets) may be used to meet the District's ongoing obligations.
- The District's total net position decreased by $1,622,627.
- The Point Pleasant Fire Protection District's total debt increased by $1,232,308 (89.80 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 deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $873,854 at the close of the most recent fiscal year.

Net Positions

	Governmental-Type Activities 2015	2014
ASSETS		
Cash	$ 813,295	$ 1,190,294
Tax receivable	32,464	5,671
Other receivable	18,615	10,861
Unamortized bond discount	29,530	30,607
Capital assets, not being depreciated	176,469	176,469
Capital assets, net of accumulated depreciation	2,379,175	2,572,452
TOTAL ASSETS	$ 3,449,548	$ 3,986,354
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions subsequent to measurement date	$ 223,965	$ -
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 223,965	$ -

	Governmental-Type 2015	2014
LIABILITIES		
Accounts payable	$ 39,355	$ 70,713
Accrued payroll and taxes	27,127	29,065
Accrued pension	3,414	17,513
Long term debt:		
Net pension liability	1,269,152	-
Compensated absences	23,238	25,082
Due within one year	35,000	35,000
Due after one year	1,277,500	1,312,500
TOTAL LIABILITIES	$ 2,674,786	$ 1,489,873
DEFERRED INLFOWS OF RESOURCES		
Pension deferrals	$ 124,873	$ -
TOTAL DEFERRED INFLOWS OF RESOURCES	$ 124,873	$ -
NET POSITIONS		
Net investment in capital assets	$ 1,243,144	$ 1,401,421
Unrestricted (restated)	(369,290)	1,095,060
TOTAL NET POSITIONS	$ 873,854	$ 2,496,481

At the end of the current fiscal year, the Point Pleasant Fire Protection District reported a positive balance in net investment in capital assets and a negative balance in unrestricted net position. Prior year, the District was able to report positive balances in both categories of net position. There was a decrease of $1,464,350 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. Also, the District implemented GASB Statement 68 this year. With the new reporting change, the District is allocated its proportionate share of the County Employees Retirement System's net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by $1,226,497. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Walton Fire Protection District's management.

Governmental activities decreased the District's net position by $396,130. This decrease is largely due to the District not receiving the annual PILOT payment of $219,496. The PILOT agreement was under renegotiation during the current fiscal year. The District expects to receive two PILOT payments next fiscal year. Prior fiscal year, the District received a federal grant of $71,436, which they did not receive during the current fiscal year. Also, retirement expense decreased due to the implementation of GASB Statement 68.

Changes in Net Positions

	Governmental-Type Activities 2015	2014
REVENUES		
Real and tangible tax revenue	$ 1,516,931	$ 1,529,796
EMS billings	86,701	89,770
Intergovernmental revenue	53,471	144,059
Other miscellaneous income	9,144	10,971
Interest	1,545	1,884
TOTAL REVENUES	1,667,792	1,776,480
EXPENSES		
Current		
Administrative expense	556,719	575,000
Wages and career benefits, payroll taxes and other fringe	1,464,399	1,507,276
Interest	42,804	38,751
TOTAL EXPENSES	2,063,922	2,121,027
EXCESS OF REVENUES OVER EXPENSES	(396,130)	(344,547)
NET CHANGES IN NET POSITION	(396,130)	(344,547)
FUND BALANCE/NET POSITION, BEGINNING OF YEAR	2,496,481	2,841,028
PRIOR PERIOD ADJUSTMENT	(1,226,497)	-
FUND BALANCE/NET POSITION, END OF YEAR	$ 873,854	$ 2,496,481

The Statement of Activities reflects a $396,130 excess of expenses over revenue. Depreciation in the amount of $214,760 was included in the Statement of Activities. As stated above, the deficiency is attributable to the decrease in tax revenue due to the PILOT renegotiations, decrease in federal grants, and decrease in retirement expense

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, 2015, amounted to $4,481,985. This investment in capital assets includes land, buildings, improvements and fire and medical equipment. There was an increase of less than 1.0% in the total investment in capital assets for the current year.

	2015	2014
Land	$ 176,469	$ 176,469
Buildings and improvements	1,703,866	1,687,975
Equipment	627,525	626,997
Furniture and fixtures	78,748	78,235
Vehicles	1,895,377	1,895,377
Total	$ 4,481,985	$ 4,465,053

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

Long-term Obligations

At the end of the current fiscal year, the Point Pleasant Fire Protection District had total debt outstanding of $2,641,734. Additionally, amounts for net pension liability and compensated absences are in the long-term debt number. There was an increase in long-term debt of 89.80% from the prior year.

	2015	2014
Net pension liability	$ 1,269,152	$ -
Compensated absences	25,082	25,082
Capital leases	1,347,500	1,347,500
	$ 2,641,734	$ 1,372,582

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

Budgetary Highlights

There were no variances between the adopted and final budgeted amounts for the fiscal year ending June 30, 2015. Actual revenues were less than budgeted amounts by $36,058. Actual expenditures without the reserve for transfer were less than budgeted amounts by $61,635. The District expects the collection of property taxes, its major source of revenue, to increase next fiscal year. The District also expects an overall decrease in total expenses.

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, 2015

	General Fund	Adjustments (Note H)	Statement of Net Position
ASSETS			
Cash	$ 813,295	$ -	$ 813,295
Tax receivable	32,464	-	32,464
Other receivables	18,615	-	18,615
Unamortized bond discount	29,530	-	29,530
Capital assets not being depreciated	-	176,469	176,469
Capital assets, net of accumulated depreciation	-	2,379,175	2,379,175
TOTAL ASSETS	893,904	2,555,644	3,449,548
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date	-	223,965	223,965
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	223,965	223,965
TOTAL ASSETS AND DEFERRED OUTFLOWS OF REOURCES	$ 893,904	$ 2,779,609	$ 3,673,513
LIABILITIES			
Accounts payable	$ 39,355	$ -	$ 39,355
Accrued payroll and taxes	27,127	-	27,127
Accrued pension	3,414	-	3,414
Long-term obligations			
Net pension liability	-	1,269,152	1,269,152
Compensated absences	-	23,238	23,238
Due within one year	-	35,000	35,000
Due after one year	-	1,277,500	1,277,500
TOTAL LIABILITIES	69,896	2,604,890	2,674,786
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	-	124,873	124,873
TOTAL DEFERRED INFLOWS OF RESOURCES	-	124,873	124,873
FUND BALANCES			
Unassigned	824,008	(824,008)	
TOTAL FUND BALANCES	824,008	(824,008)	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 893,904	$ 1,905,755	
NET POSITION			
Net investment in capital assets		$ 1,243,144	$ 1,243,144
Unrestricted (restated)		(369,290)	(369,290)
TOTAL NET POSITION		$ 873,854	$ 873,854

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, 2015

	General Fund	Adjustments (Note H)	Statement of Activities
REVENUES			
Real and tangible tax revenue	$ 1,462,572	$ -	$ 1,462,572
Payment in lieu of property taxes	32,550	-	32,550
Intergovernmental grants	53,471	-	53,471
Interest	1,545	-	1,545
Motor vehicle	21,809	-	21,809
EMS billings	86,701	-	86,701
Miscellaneous income	9,144	-	9,144
TOTAL REVENUES	1,667,792	-	1,667,792
EXPENDITURES			
Board expenses	9,943	-	9,943
Career benefits, payroll taxes and other fringe	577,836	(56,437)	521,399
District insurance	22,621	-	22,621
Dues and subscriptions	6,077	-	6,077
Education assistance	15,570	-	15,570
Fuel and oil	16,793	-	16,793
Internship program	24,786	-	24,786
Loss on sales of disposals	-	779	779
Maintenance	41,736	-	41,736
Supplies and materials	24,738	-	24,738
Other contractual services	62,002	-	62,002
Other district services	19,269	-	19,269
Professional services	34,811	-	34,811
Salaries and wages	944,844	(1,844)	943,000
Travel and training	25,417	-	25,417
Uniforms	4,175	-	4,175
Utilities	32,165	-	32,165
Amortization	1,077	-	1,077
Depreciation	-	214,760	214,760
Debt service:			
Principal retirement	35,000	(35,000)	-
Interest	42,804	-	42,804
Capital outlay:			
Building, equipment, furniture and vehicles	22,262	(22,262)	-
TOTAL EXPENDITURES	1,963,926	99,996	2,063,922
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(296,134)	(99,996)	(396,130)
FUND BALANCE/NET POSITION, BEGINNING OF YEAR	1,120,142	1,376,339	2,496,481
PRIOR PERIOD ADJUSTMENT	-	(1,226,497)	(1,226,497)
FUND BALANCE/NET POSITION, END OF YEAR	$ 824,008	$ 49,846	$ 873,854

See accompanying notes to financial statements.

POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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.

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:

Assets	Years
Buildings and improvements	40
Equipment	5-10
Vehicles	5-20
Furniture and fixtures	5-7

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

Prepaids

Prepaids 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, 2015

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 March 3, 2016, 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, 2015.

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.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District has one item that meets these criteria, contributions made to the pension plan in the 2015 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section of deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District has one item that meets these criteria, deferrals of pension expense that result from the implementation of GASB Statement 68.

Pensions
For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The District's employer contributions are recognized when due and the District has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the term of CERS. Investments are reported at fair value.

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.

NOTE B - CASH AND INVESTMENTS (continued)

Deposits in financial institutions, reported as components of cash, cash equivalents, had a bank balance of $837,201 at June 30, 2015, 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.

NOTE D – TARGET BENEFIT PLAN

Plan Description – 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. It is a single employer target benefit plan. 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. Effective June 30, 2015, the plan was terminated.

Benefits Provided – 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 3.15% of each employee's average monthly compensation multiplied by each employee's total number of projected years of service. The "target benefit" is to provide 60% of the employee's average monthly compensation. Final compensation is calculated by taking the average of the highest three fiscal year salaries of the last five fiscal years. The required total employer contribution for the year ended June 30, 2015 is $63,936, according to the Plan's actuary and has been accrued.

The plan uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The rates of mortality for the period after service retirement are according to the 1984 Unisex Pensioners Mortality Table.

POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE E - CHANGE IN CAPITAL ASSETS

A summary of changes in capital assets follows:

	Beginning Balance	Additions	Disposals	Ending Balance
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	1,689,715	14,151	-	1,703,866
Equipment	626,997	4,439	(3,911)	627,525
Furniture and fixtures	78,235	3,672	(3,159)	78,748
Vehicles	1,895,377	-	-	1,895,377
Total capital assets, being depreciated	4,290,324	22,262	(7,070)	4,305,516
Less accumulated depreciation:				
Building and improvements	664,898	43,639	-	708,537
Equipment	355,447	53,866	(3,911)	405,402
Furniture and fixtures	74,511	1,999	(2,380)	74,130
Vehicles	623,016	115,256	-	738,272
Total accumulated depreciation	1,717,872	214,760	(6,291)	1,926,341
Total capital assets, being depreciated, net	2,572,452	(192,498)	(779)	2,379,175
Capital assets, net	$ 2,748,921	$(192,498)	$ (779)	$ 2,555,644

NOTE F - LONG-TERM OBLIGATIONS

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, 2015 the liability for accrued vacation leave was $23,238.

NOTE F - LONG-TERM OBLIGATIONS (continued)

With the new reporting changes, the District is allocated its proportionate share of the CERS net pension liability. As of June 30, 2015, the net pension liability was $1,269,152.

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2015:

	Beginning Balance (restated)	Issued/ Addition	Retired/ Refinanced	Ending Balance	Due Within One Year
Net pension liability	$ 1,417,376	$ -	$ (148,224)	$ 1,269,152	$ -
Compensated absences	25,082	-	(1,844)	23,238	-
Building and equipment lease	1,347,500	-	(35,000)	1,312,500	35,000
	$ 2,789,958	$ -	$ (185,068)	$ 2,604,890	$ 35,000

The capital lease agreement at June 30, 2015 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, 2015).	$ 1,312,500

NOTE F - LONG-TERM OBLIGATIONS (continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015 are as follows:

Year ending June 30,	
2016	$ 77,191
2017	76,491
2018	75,704
2019	74,916
2020	74,129
2021-2025	379,922
2026-2030	370,252
2031-2035	369,894
2036-2040	367,695
2041-2043	180,063
Total minimum lease payments	2,046,257
Less: amount representing interest	733,757
Present value of future minimum lease payments	$ 1,312,500

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.

NOTE G – EMPLOYEE RETIREMENT SYSTEM – (continued)

Benefits Provided – This schedule summarizes the major retirement benefit provisions of CERS included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions:

Plan Year:	July 1 through June 30
Non-Hazardous Normal Retirement:	
Members whose participation began before 8/1/2004	
Age Requirement	65
Service Requirement	At least one month of non-hazardous duty service credit
Amount	If a member has at least 48 months of service, the monthly benefit is 2.20% multiplied by final average compensation, multiplied by years of service. Final compensation is calculated by taking the average of the highest five (5) fiscal years of salary. If the number of months of service credit during the five (5) year period is less than forty-eight (48), one (1) or more additional fiscal years shall be used. If a member has less than 48 months of service, the monthly benefit is the actuarial equivalent of two times the member's contributions with interest.
Members whose participation began on or after 8/1/2004, but before 9/1/2008	
Age Requirement	65
Service Requirement	At least one month of non-hazardous duty service credit.

POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE G – EMPLOYEE RETIREMENT SYSTEM – (continued)

Amount

If a member has at least 48 months of service, the monthly benefit is 2.00% multiplied by final average compensation, multiplied by years of service.

Final compensation is calculated by taking the average of the highest five (5) fiscal years of salary. If the number of months of service credit during the five (5) year period is less than forty-eight (48), one (1) or more additional fiscal years shall be used.

If a member has less than 48 months of service, the monthly benefit is the actuarial equivalent of two times the member's contributions with interest.

Members whose participation began on or after 9/1/2008, but before 1/1/2014

Requirement

Age 65 with 60 months of non-hazardous duty service credit, or age 57 if age plus service equals at least 87.

Amount

The monthly benefit is the following benefit factor based on service credit at retirement plus 2.00% for each year of service greater than 30 years, multiplied by final average compensation, multiplied by years of service.

Service Credit	Benefit Factor
10 years or less	1.10%
10+ -20 years	1.30%
20+ -26 years	1.50%
26+ -30 years	1.75%

Final compensation is calculated by taking the average of the last (not highest) five (5) complete fiscal years of salary. Each fiscal year used to determine final compensation must contain twelve (12) months of service credit.

NOTE G – EMPLOYEE RETIREMENT SYSTEM – (continued)

Members whose participation began on or after 1/1/2014

Requirement	Age 65 with 60 months of non-hazardous duty service credit, or age 57 if age plus service equals at least 87.
Amount	Each year that a member is an active contributing member to the System, the member and the member's employer will contribute 5.00% and 4.00% of creditable compensation respectively into a hypothetical account. This hypothetical account will earn interest annually on both the member's and employer's contribution at a minimum rate of 4%. If the System's geometric average net investment return for the previous five years exceeds 4%, then the hypothetical account will be credited with an additional amount of interest equal to 75% of the amount of the return which exceeds 4%. All interest credits will be applied to the hypothetical account balance on June 30 based on the account balance as of June 30 of the previous year.
	Upon retirement the hypothetical account which includes member contributions, employer contributions and interest credits can be withdrawn from the System as a lump sum or annuitized into a single life annuity option.

Hazardous Normal Retirement:

Members whose participation began before 9/1/2008

Age Requirement	55
Service Requirement	At least one month of hazardous duty service credit
Amount	If a member has at least 60 months of service, the monthly benefit is 2.50% multiplied by final average compensation, multiplied by years of service.

NOTE G – EMPLOYEE RETIREMENT SYSTEM – (continued)

Final compensation is calculated by taking the average of the highest three (3) fiscal years of salary. If the number of months of service credit during the three'(3) year period is less than twenty-four (24), one (1) or more additional fiscal years shall be used.

If a member has less than 60 months of service, the monthly benefit is the actuarial equivalent of two times the member's contributions with interest.

Members whose participation began on or after 9/1/2008, but before 1/2/2014

Age Requirement 60

Service Requirement At least 60 months of hazardous duty service credit

Amount The monthly benefit is the following benefit factor based on service credit at retirement, multiplied by final average compensation, multiplied by years of service.

Service Credit	Benefit Factor
10 years or less	1.30%
10+ -20 years	1.50%
20+ -26 years	2.25%
26+ -30 years	2.50%

Final compensation is calculated by taking the average of the highest three (3) complete fiscal years of salary. Each fiscal year used to determine final compensation must contain twelve (12) months of service credit.

Members whose participation began on or after 1/1/2014

Age Requirement 60

Service Requirement At least 60 months of hazardous duty service credit or 25 or more years of service, with no age requirement

NOTE G – EMPLOYEE RETIREMENT SYSTEM – (continued)

Amount

Each year that a member is an active contributing member to the System, the member and the member's employer will contribute 8.00% and 7.50% of creditable compensation respectively into a hypothetical account. This hypothetical account will earn interest annually on both the member's and employer's contribution at a minimum rate of 4%. If the System's geometric average net investment return for the previous five years exceeds 4%, then the hypothetical account will be credited with an additional amount of interest equal to 75% of the amount of the return which exceeds 4%. All interest credits will be applied to the hypothetical account balance on June 30 based on the account balance as of June 30 of the previous year.

Upon retirement the hypothetical account which includes member contributions, employer contributions and interest credits can be withdrawn from the System as a lump sum or annuitized into a single life annuity option.

Non-Hazardous Early Retirement:

Members whose participation began before 9/1/2008

Requirement

Age 55 with 60 months of service or any age with 25 years of service.

Amount

Normal retirement benefit reduced by 6.5% per year for the first five years and 4.5% per year for the next five years for each year the member is younger than age 65 or has less than 27 years of service, whichever is smaller.

NOTE G – EMPLOYEE RETIREMENT SYSTEM – (continued)

Members whose participation began on or after 9/1/2008, but before 1/1/2014

Requirement	Age 60 with 10 years of service.
Amount	Normal retirement benefit reduced by 6.5% per year for the first five years and 4.5% per year for the next five years for each year the member is younger than age 65, or does not meet the rule of 87 (age plus service) and is younger than age 57, whichever is smaller.

Hazardous Early Retirement:

Members whose participation began before 9/1/2008

Requirement	Age 50 with 15 years of service or any age with 20 years service.
Amount	Normal retirement benefit reduced by 6.5% per year for the first five years and 4.5% per year for the next five years for each year the member is younger than age 55 or has less than 20 years service, whichever is smaller.

Members whose participation began on or after 9/1/2008, but before 1/1/2014

Requirement	Age 50 with 15 years of service or any age with 25 years service.
Amount	Normal retirement benefit reduced by 6.5% per year for the first five years and 4.5% per year for the next five years for each year the member is younger than age 60 or has less than 25 years service, whichever is smaller.

NOTE G – EMPLOYEE RETIREMENT SYSTEM – (continued)

Non-Hazardous Disability:

Age Requirement	None
Service Requirement	60 months
Members whose participation began before 8/1/2004	Normal retirement benefit except that service credit will be added to total service for the period from the last day of plan employment to the member's 65th birthday or until the combined total service as of the last day of paid employment and added service equals 25 years. The total amount of service credit added shall not exceed the member's actual service credit on the last day of paid employment. For members with at least 25 years of service but less than 27 years of service, total service shall be 27 years. For employees with 27 or more years of service credit, actual service credit will be used.

Non-Hazardous Disability:

A contributing member in a non-hazardous position who is disabled in the line of duty is entitled to a retirement benefit of not less than 25% of the member's final monthly rate of pay plus 10% of the member's final monthly rate of pay for each dependent child. The maximum dependent child's benefit is 40% of the member's final monthly rate of pay.

Members whose participation began on or after 9/1/2008, but before 1/1/2014	Normal retirement benefit based on actual service with no penalty or, if larger, 20% of the Final Rate of Pay. May apply for disability even after normal retirement age.

NOTE G – EMPLOYEE RETIREMENT SYSTEM – (continued)

Members whose participation began on or after 1/1/2014	The hypothetical account which includes member contributions, employer contributions and interest credits can be withdrawn from the System as a lump sum or an annuity equal to the larger of 20% of the member's monthly final rate of pay or the annuitized hypothetical account into a single life annuity option.

Hazardous Disability:

Age Requirement	None
Service Requirement	60 months (waived if in line of duty disability)
Members whose participation began before 8/1/2004	Normal retirement benefit except if the member's total service credit is less than 20 years, service credit will be added for the period from the last day of paid employment to the member's 55th birthday.

The maximum service credit added will not exceed the total service the member had on this last day of paid employment and the maximum service credit for calculating his retirement allowance, including total service and service added will not exceed 20 years. May not apply if eligible for an unreduced retirement allowance.

A member in a hazardous position who is disabled in the line of duty is entitled to the normal retirement benefit based on years of service and final compensation determined as of the date of disability (no penalty), except that the monthly retirement allowance payable shall not be less than 25% of the member's monthly final monthly rate of pay. Each dependent child shall receive 10% of the disabled member's monthly final rate of pay; however the total maximum dependent children's benefit shall not exceed 40% of the member's monthly final rate of pay.

POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE G – EMPLOYEE RETIREMENT SYSTEM – (continued)

Members whose participation began on or after 8/1/2004, but before 1/1/2014	Normal retirement benefit based on years of service and final compensation determined as of the date of disability (no penalty) or, if larger, 25% of the member's monthly final rate of pay may apply for disability even after normal retirement age.
Members whose participation began on or after 1/1/2014	The hypothetical account which includes member contributions, employer contributions and interest credits can be withdrawn from the System as a lump sum or an annuity equal to the larger of 25% of the member's monthly final rate of pay or the annuitized hypothetical account into a single life annuity option.

Vesting:

Members whose participation began before 9/1/2008

Age Requirement	None
Service Requirement	60 months. Service purchased after August 1, 2004 does not count toward vesting insurance benefits. Service purchased by employees who began participating on or after August 1, 2004 does not count toward vesting retirement benefits. Recontribution of refunds and omitted service purchases are the exception to this rule for service requirement.
Amount	Normal retirement benefit deferred to normal retirement age or reduced benefit payable at early retirement age.
Normal Retirement Age	65 for non-hazardous members and 55 for hazardous members.

NOTE G – EMPLOYEE RETIREMENT SYSTEM – (continued)

Members whose participation began on or after 9/1/2008 but before 1/1/2014 Age Requirement	None
Service Requirement	60 months. Service purchased after August 1, 2004 does not count toward vesting insurance benefits. Service purchased by employees who began participating on or after August 1, 2004 does not count toward vesting retirement benefits. Recontribution of refunds and omitted service purchases are the exception to this rule for service requirement.
Amount	Normal retirement benefit deferred to normal retirement age or reduced benefit payable at early retirement age.
Normal Retirement Age	65 for non-hazardous members and 60 for hazardous members.
Members whose participation began on or after 1/1/2014	
Age Requirement	None
Service Requirement	60 months.
Amount	Upon termination the hypothetical account which includes member contributions, employer contributions and interest credits can be withdrawn from the System as a lump sum or the member can elect to leave the hypothetical account balance in the System. If the member does not withdraw the account balance, it will continue to earn 4% interest. Upon reaching normal retirement age the member can apply for retirement and receive the account balance as a lump sum payment or annuitize the account balance into a single life annuity.

NOTE G – EMPLOYEE RETIREMENT SYSTEM – (continued)

Pre-Retirement Death Benefit (not in line of duty):

Members whose participation began before 1/1/2014

Requirement	Eligible for Normal or Early Retirement, or any age in active employment with 60 months service, or any age and not in active employment with at least 144 months of service.
Amount	Benefit equal to the benefit the member would have received had the member retired on the day before the date of death and elected a 100% joint and survivor form. Benefit is actuarially reduced if member is less than normal retirement age at the date of death.

Members whose participation began on or after 1/1/2014

Requirement	60 months service
Amount	The maximum of the benefit equal to the benefit the member would have received had the member retired on the day before the date of death.

Spouse's Pre-Retirement Death Benefit (in line of duty):

Requirement	None
Amount	The spouse may choose (1) a $10,000 lump sum payment and monthly payments of 25% of the member's final monthly rate of pay or (2) benefit options offered under death not in line of duty.

Dependent Non-Spouse's Death Benefit (in line of duty) – Hazardous Plan:

Requirement	None
Amount	The non-spouse may choose (1) a $10,000 lump sum payment or (2) benefit options offered under death not in line of duty.

NOTE G – EMPLOYEE RETIREMENT SYSTEM – (continued)

Dependent Child's Death Benefit (in line of duty):

Requirement	None
Amount	10% of member's final monthly rate of pay. Dependent child payments cannot exceed 40% of the member's monthly final rate of pay.

Post-Retirement Death Benefit:

Requirement	Retired member in receipt of monthly benefit based on at least 48 months or more of combined service with KERS, CERS or SPRS.
Amount	$5,000

Non-Hazardous Member Contributions:

Members whose participation began before 9/1/2008	5% of all creditable compensation. Interest paid on the members' accounts is currently 2.5% shall not be less than 2.0%. Member entitled to a full refund of contributions with interest.
Members whose participation began on or after 9/1/2008	6% of all creditable compensation, with 5% being credited to the member's account and 1% deposited to the KRS 401(h) Account. Interest paid on the members' accounts will be set at 2.5%. Member entitled to a full refund of contributions and interest in their individual account, however, the 1% contributed to the insurance fund is non-refundable
Members whose participation began on or after 1/1/2014	6% of all creditable compensation, with 5% being credited to the member's account and 1% deposited to the KRS 401(h) Account. Member entitled to a full refund of contributions and interest on the member's portion of the hypothetical account, however, the 1% contributed to the insurance fund is non-refundable.

NOTE G – EMPLOYEE RETIREMENT SYSTEM – (continued)

Hazardous Member Contributions:

Members whose participation began before 9/1/2008	8% of all creditable compensation. Interest paid on the members' accounts is currently 2.5% shall not be less than 2.0%. Member entitled to a full refund of contributions with interest.
Members whose participation began on or after 9/1/2008	9% of all creditable compensation, with 8% being credited to the member's account and 1% deposited to the KRS 401(h) Account. Interest paid on the members' accounts will be set at 2.5%. Member entitled to a full refund of contributions and interest in their individual account, however, the 1% contributed to the insurance fund is non-refundable.
Members whose participation began on or after 1/1/2014	9% of all creditable compensation, with 8% being credited to the member's account and 1% deposited to the KRS 401(h) Account. Member entitled to a full refund of contributions and interest on the member's portion of the hypothetical account, however, the 1% contributed to the insurance fund is non-refundable.

The actuarially determined contribution rates are determined on biennial basis beginning with the fiscal years ended 2014 and 2015, determined as of July 1, 2013. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported on that schedule:

Actuarial cost method	Entry age
Amortization cost method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	3.5 percent
Salary increase	4.5 percent, average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

NOTE G – EMPLOYEE RETIREMENT SYSTEM – (continued)

Non-hazardous Contributions – For the year ended June 30, 2015, plan members were required to contribute 5% or 6% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. For the year ended June 30, 2015, participating employers contributed 17.67% 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, 2015, plan members were required to contribute 8% or 9% of their creditable compensation depending on their date of hire. The state was required to contribute at an actuarially determined rate. For the year ended June 30, 2015, participating employers contributed 34.31% of each employee's creditable compensation, determined by an actuary. Administrative costs of KRS are financed through employer contributions and investment earnings. Contributions to the pension plan from the District were $223,965 for the year ended June 30, 2015.

At June 30, 2015, the District reported a liability of $1,269,152 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating CERS employers, actuarially determined. At June 30, 2014, the District's proportion was 0.000127% for non-hazardous and 0.105258% for hazardous.

	Hazardous		Non-Hazardous	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	$ -	$ -	$ -	$ -
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on plan investments	-	124,412	-	462
Employer contributions subsequent to the Measurement Date	223,337	-	628	-
Total	$ 223,337	$ 124,412	$ 628	$ 462

NOTE G – EMPLOYEE RETIREMENT SYSTEM – (continued)

$223,965 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a decrease in net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Inflows of Resources to be recognized in Fiscal Years Following the Reporting Date	
	Hazardous	Non-Hazardous
Year ended June 30:		
2016	$ (55,834)	$ (157)
2017	(55,834)	(157)
2018	(55,834)	(157)
2019	(55,834)	(157)

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	4.5 percent, average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward 5 years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2008.

NOTE G – EMPLOYEE RETIREMENT SYSTEM – (continued)

Long-term Rate of Return – The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the CERS. The most recent analysis, performed for the period cover.ing fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful if setting the long-term rate of return for funding pension p lans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	30%	8.45%
International equity	22	8.85
Emerging Martket Equity	5	10.50
Private Equity	7	1.25
Real Estate	5	7.00
Core U.S. Fixed Income	10	5.25
High Yield U.S. Fixed Income	5	7.25
Non-U.S. Fixed Income	5	5.50
Commodities	5	7.75
TIPS	5	5.00
Cash	1	3.25
Total	100%	

Discount Rate – the discount used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 29 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

NOTE G – EMPLOYEE RETIREMENT SYSTEM – (continued)

Sensitivity Analysis – The following presents the net pension liability of the District, calculated using the discount rate of percent, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate for non-hazardous and hazardous:

	1% Decrease 6.75%	Hazardous Current Discount Rate 7.75%	1% Increase 8.75%
District's net pension liability	1,654,843	1,265,015	934,023

	1% Decrease 6.75%	Non-Hazardous Current Discount Rate 7.75%	1% Increase 8.75%
District's net pension liability	5,422	4,136	2,970

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued Schedules of Employer Allocations and Pension Amounts by Employer for the KRS.

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

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

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.

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	1,703,866
Equipment	627,525
Furniture and fixtures	78,748
Vehicles	1,895,377
Accumulated depreciation	(1,926,341)
	$ 2,555,644

Deferred outflows of resources are not reported in the governmental funds, but are reported in the statement of net position.

Deferred outflows of resources	$ 223,965

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

Compensated absences	$ 23,238
Debt due within one year	$ 35,000
Debt due after one year	$ 1,277,500

Net pension liability and deferred inflows of resources are not reported in the governmental funds, but are reported in the statement of net position.

Net pension liability	$ 1,269,152
Deferred inflows of resources	$ 124,873

<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</u>

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:

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

Changes in net pension liability do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.

Career benefits	$ (56,437)

Loss on disposal is shown as expenditure on the statement of activities.

Loss on sale of asset	$ 779

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	$ (1,844)

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.

Depreciation	$ 214,760

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

Debt service principal	$ (35,000)

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

Capital outlay	$ (22,262)

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, 2015.

NOTE J – RELATED PARTY TRANSACTIONS

The District incurred costs of $16,154 for accounting services and $3,121 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, 2015, the District spent $4,465 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:

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.

NOTE L – CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The District implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the District to record beginning net pension liability and the effects on the net position of contributions made by the District during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental activities decreased by $1,226,497.

REQUIRED SUPPLEMENTARY INFORMATION

POINT PLEASANT FIRE PROTECTION DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY AND RELATED RATIOS
For the Year Ended June 30, 2015

	Hazardous		Non-Hazardous	
	2015*	2014*	2015*	2014*
District's proporation of the net pension liability (%)	0.105258%	0.105258%	0.000127%	0.000127%
District's proporation of the net pension liability ($)	$ 1,265,016	$ 1,412,696	$ 4,136	$ 4,680
District's covered-employee payroll	$ 941,647	$ 877,740	$ 2,925	$ 2,975
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	134.34%	160.95%	141.40%	157.31%
Plan fiduciary net position as a percentage of the total pension liability**	63.46%	66.80%	57.74%	61.22%

*The amounts presented were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the CERS plan.

POINT PLEASANT FIRE PROTECTION DISTRICT
SCHEDULE OF REQUIRED CONTRIBUTIONS
For the Year Ended June 30, 2015

	Hazardous		Non-Hazardous	
	2015	2014	2015	2014
Contractually required contribution	$ 223,337	$ 167,058	$ 628	$ 470
Contributions in relation to the contractually required contribution	223,337	167,058	628	470
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 914,649	$ 941,647	$ 28,353	$ 2,925
Contributions as a percentage of covered-employee payroll	24.42%	17.74%	2.21%	16.07%

POINT PLEASANT FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2015

	Budgetary Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Tax revenue	$ 1,532,500	$ 1,532,500	$ 1,516,931	$ (15,569)
Intergovernmental revenue	58,450	58,450	53,471	(4,979)
Interest	15,000	15,000	1,545	(13,455)
EMS billings	90,000	90,000	86,701	(3,299)
Miscellaneous income	7,900	7,900	9,144	1,244
TOTAL REVENUES	1,703,850	1,703,850	1,667,792	(36,058)
EXPENDITURES				
Administration	100,462	100,462	71,850	28,612
Personnel services	1,556,395	1,556,395	1,522,680	33,715
Contractual services	248,650	248,650	243,515	5,135
Supplies and materials	19,250	19,250	21,704	(2,454)
Fire equipment	18,000	18,000	3,034	14,966
Amortization	-	-	1,077	(1,077)
Debt service				
Principal retirement	36,804	36,804	35,000	1,804
Interest	41,000	41,000	42,804	(1,804)
Capital outlay				
Building, equipment, furniture and vehicles	5,000	5,000	22,262	(17,262)
TOTAL EXPENDITURES	2,025,561	2,025,561	1,963,926	61,635
NET EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(321,711)	(321,711)	(296,134)	25,577
FUND BALANCE/NET POSITION, BEGINNING OF YEAR	321,711	321,711	1,120,142	798,431
FUND BALANCE/NET POSITION, END OF YEAR	$ -	$ -	$ 824,008	$ 824,008

POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

Changes of benefit terms – The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tiered Structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

2014: A cash balance plan was introduced for member whose participation date is on or after January 1, 2014

Changes of assumption – The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2006: The assumptions were updated as the result of an experience study for the five year period ending June 30, 2005.

2007: Amortization bases have been combined and will be amortized over a single 30 year closed period beginning June 30, 2007.

2009: The assumptions were updated as the result of an experience study for the three year period ending June 30, 2008.

2013: The amortization period of the unfunded accrued liability was reset to a closed 30 year period.

Method of assumptions used in the calculation of actuarially determined contributions – The actuarially determined contribution rates are determined on biennial basis beginning with the fiscal years ended 2014 and 2015, determined as of July 1, 2013. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported on that schedule:

Actuarial cost method	Entry age
Amortization cost method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	3.5 percent
Salary increase	4.5 percent, average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Anneken, Huey & Moser PLLC
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, 2015, and the related notes to the financial statements, which comprise the District's basic financial statements and have issued our report thereon dated March 3, 2016.

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

ANNEKEN, HUEY & MOSER, PLLC
Ft. Wright, KY 41011
March3, 2016