

PEWEE VALLEY
FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2015

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 governmental activities and each major fund of the Pewee Valley Fire Protection District (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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and 18 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 14, 2016, on our consideration of the 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 the District's internal control over financial reporting and compliance.

Kelly King & Co.

Kelly King & Co.
Crestwood, Kentucky
March 14, 2016

Pewee Valley Fire Protection District

Management's Discussion and Analysis

June 30, 2015

The management of Pewee Valley Fire Protection District (District) desires to offer the readers of these financial statements this narrative and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information found within the District's financial statements.

About the District:

The District's activities include collecting tax revenues to provide services of fire suppression or addressing other potential hazards to reduce the risk of loss of life and property within the district. The District includes properties in southern Oldham County as well as western Shelby County.

Financial Highlights:

The District's general revenues were \$443,572 and \$434,315 for the fiscal years ended June 30, 2015 and 2014, respectively, or an increase of \$9,257 and approximately 97% of budgeted general revenues. Tax revenues were levied at \$0.10 per \$1,000 of real and personal property for fiscal years ended June 30, 2015 and 2014.

The District's total expenditures were \$1,139,102 and \$695,632 for the fiscal years ended June 30, 2015 and 2014, respectively, or an increase of \$443,470 and approximately 68% of budgeted total expenditures. The increase in expenditures year-over-year was primarily attributable to the District finalizing the construction of our second fire station, which was placed into service in October 2014.

The general fund balance was \$470,146 and \$604,085 as of June 30, 2015 and 2014, respectively, or a decrease of \$133,939, which is due in part to the capital outlays funded through cash and cash equivalents.

Cash and cash equivalents was \$480,442 and \$631,298 as of June 30, 2015 and 2014, respectively, or a decrease of \$150,856. This decrease was primarily attributable to funding the construction of our second fire station, which was placed into service in October 2014, as well as the early pay off of certain long-term debt which matured in 2017. We continue to evaluate opportunities such as these to reduce the District's exposure to unnecessary interest expense when available cash and cash equivalents are available.

Other Highlights:

The District opened its second fire station, located at 2677 Ash Avenue, Louisville, KY 40245, in October 2014. The total cost of construction was approximately \$1,765,000, which was funded in part through cash and debt borrowings which is structured as a capital lease.

The District's services continue to be performed by its volunteer staff of firefighters since the District's formation in 1929.

Pewee Valley Fire Protection District

Management's Discussion and Analysis

June 30, 2015

Overview of the Financial Statements:

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The financial statements presented herein include all activities of the District.

These statements consist of three components:

1. government-wide financial statements,
2. fund financial statements, and
3. notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements are designed to provide readers with a broad overview of the District finances, in a manner similar to a private-sector business. The government-wide financial statements consist of a statement of net position and a statement of activities.

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

The statement of activities presents information showing how the government'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.

Government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues. Capital outlays and related proceeds from long-term debt are supported by tax revenue sources.

Fund financial statements are a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has only one general fund and as such the fund financial statements are consistent with the government-wide financial statements; however, they exclude capital assets and long-term debt.

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

Pewee Valley Fire Protection District

Management's Discussion and Analysis

June 30, 2015

Statement of Net Position:

The following represents a comparison of the statement of net position of the District for June 30, 2015 and 2014:

	June 30, 2015	June 30, 2014	\$ Difference	% Difference
<u>Assets:</u>				
Cash and cash equivalents	\$ 480,442	\$ 631,298	\$ (150,856)	-24%
Other current assets	2,882	3,238	(356)	-11%
Capital assets, net of depreciation	2,772,832	2,265,307	507,525	22%
Total assets	3,256,156	2,899,843	356,313	12%
<u>Liabilities:</u>				
Accounts payable	13,178	30,451	(17,273)	-57%
Noncurrent liabilities	1,050,657	706,950	343,707	49%
Total liabilities	1,063,835	737,401	326,434	44%
<u>Net Position:</u>				
Invested in capital assets	1,722,175	1,558,357	163,818	11%
Unrestricted	470,146	604,085	(133,939)	-22%
Total net position	\$ 2,192,321	\$ 2,162,442	\$ 29,879	1%

The District reported positive net assets for governmental activities.

Statement of Activities:

The District's governmental activity programs include General administration, Equipment purchase & maintenance, Insurance and Depreciation. Each program's net cost (e.g., total cost less revenues generated by the activities and thus the financial burden that was placed on the District's taxpayers) as well as revenues of the District for year ending June 30, 2015 and 2014 is provided below:

	June 30, 2015	June 30, 2014	\$ Difference	% Difference
<u>Revenues:</u>				
Property taxes	\$ 442,710	\$ 433,729	\$ 8,981	2%
Interest income	37	186	(149)	-80%
Other income	825	400	425	106%
Total revenues	443,572	434,315	9,257	2%
<u>Expenditures:</u>				
General administration	199,460	137,578	61,882	45%
Equipment purchase & maintenance	52,943	45,132	7,811	17%
Insurance	25,371	27,791	(2,420)	-9%
Depreciation	135,919	96,794	39,125	40%
Total expenditures	413,693	307,295	106,398	35%
Total change in net position	\$ 29,879	\$ 127,020	\$ 97,141	76%

Pewee Valley Fire Protection District

Management's Discussion and Analysis

June 30, 2015

Budgets and Budgetary Accounting:

The District uses the following procedures in establishing the budgetary data reflected in the financial statements:

1. Before the beginning of the fiscal year, the Treasurer presents to the Board of Trustees a proposed budget for the year commencing July 1. This proposed budget is completed in consultation with the Bookkeeper as well as the Chief of the District.
2. A public hearing is conducted to obtain public comment.
3. The budget is subsequently adopted by final Board of Trustees approval.

Subsequently throughout the fiscal year, the Board of Trustees reviews interim financial reports showing actual revenues and expenditures as compared to those budgeted.

Contacting the District's Financial Management:

These financial statements are designed to provide a general overview of the District's finances, comply with finance-related laws and regulations, and demonstrate the District's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the District at 8607 Foley Avenue, Pewee Valley, KY 40056.

Pewee Valley Fire Protection District
Government-Wide Statement Of Net Position
June 30, 2015

	<u>Governmental Activities</u>
ASSETS	
Cash And Cash Equivalents	\$ 480,442
Receivables:	
Property Tax Receivable	2,882
Other Receivables	-
Capital Assets, Net Of Depreciation	<u>2,772,832</u>
Total Assets	<u>3,256,156</u>
LIABILITIES	
Accounts Payable	13,178
Long-Term Liabilities	
Accrued Interest	20,670
Due Within One Year	58,055
Due After One Year	<u>971,932</u>
Total Long-Term-Liabilities	<u>1,050,657</u>
Total Liabilities	<u>1,063,835</u>
NET POSITION	
Net Position:	
Net Investment In Capital Assets	1,722,175
Unrestricted	<u>470,146</u>
Total Net Position	<u>\$ 2,192,321</u>

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

Pewee Valley Fire Protection District
 Government-Wide Statement Of Activities
 June 30, 2015

Program Activities:	Expenses	Program Revenues			Net (Expenses)
		Fees And Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Revenue And Changes In Net Assets
Governmental Activities:					Total
General Administration	\$ 207,210	\$ -	\$ -	\$ 7,750	\$ (199,460)
Equipment Purchase & Maintenance	52,943	-	-	-	(52,943)
Insurance	25,371	-	-	-	(25,371)
Depreciation	<u>135,919</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(135,919)</u>
Total Governmental Activities	<u>\$ 421,443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,750</u>	<u>(413,693)</u>
General Revenues:					
					442,710
					37
					825
					<u>443,572</u>
					29,879
					<u>2,162,442</u>
					<u>\$ 2,192,321</u>

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

Pewee Valley Fire Protection District
 Balance Sheet
 Governmental Funds
 June 30, 2015

		Governmental Funds
ASSETS		
Cash And Cash Equivalents	\$	480,442
Receivables		
Property Tax Receivable		2,882
Other Receivables		-
 Total Assets	 \$	 483,324
LIABILITIES		
Accounts Payable	\$	13,178
Total Liabilities		13,178
FUND BALANCES/NET ASSETS		
Unassigned Fund Balances		470,146
Total Fund Balance		470,146
 Total Liabilities And Fund Balances	 \$	 483,324

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

Pewee Valley Fire Protection District
Reconciliation Of The Balance Sheet-Governmental Funds
To Government-Wide Statement Of Net Position
June 30, 2015

Total Fund Balance-Total governmental funds	\$ 470,146
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	2,772,832
Long term liabilities are not due in the current period and, therefore, are not reported in the governmental funds balance sheet:	
Accrued Interest	\$ 20,670
Due within one year	58,055
Due in more than one year	971,932
	<u>(1,050,657)</u>
Net position of governmental activities	<u>\$ 2,192,321</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
Governmental Funds
For The Year Ended June 30, 2015

	<u>Governmental Funds</u>
Revenues	
Property Taxes	\$ 442,710
Commonwealth Of Kentucky	7,750
Interest & Dividend Income	37
Other Income	<u>825</u>
Total Revenues	<u>451,322</u>
Expenditures	
General Administration	207,210
Equipment Purchase & Maintenance	52,943
Insurance	25,371
Capital Outlay	<u>643,444</u>
Total Expenditures	<u>928,968</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(477,646)</u>
Other Financing Sources (Uses)	
Proceeds From Long-Term Debt	553,841
Payment Of Accrued Interest	(14,127)
Repayment Of Debt	<u>(196,007)</u>
Total Other Financing Sources (Uses)	<u>343,707</u>
Excess (Deficiency) Of Revenues And Other Sources Over Expenditures And Other Uses	(133,939)
Fund Balance At Beginning Of Year	<u>604,085</u>
Fund Balance At End Of Year	<u>\$ 470,146</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-Governmental Funds To The Government-Wide Statement Of Activities
 For The Year Ended June 30, 2015

Net changes in fund balances - total governmental funds	\$ (133,939)
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.	643,444
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	(135,919)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts and similar items when debt is first issued, whereas the amounts are deferred and amortized in the Statement Of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items	<u>(343,707)</u>
Change in net assets of governmental activities	<u>\$ 29,879</u>

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

Pewee Valley Fire Protection District

Notes To Basic Financial Statements

June 30, 2015

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.

Pewee Valley Fire District Foundation Incorporated has been presented in these financial statements as a blended component unit because the board is substantively the same as the primary government, and Pewee Valley Fire District Foundation Incorporated provides services exclusively to the District. Additional information regarding the component unit may be found in Note H.

3. Basis Of Presentation

The government-wide 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. Governmental 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" revenues and expenses. Fiduciary funds are also excluded from the government-wide financial statements.

Pewee Valley Fire Protection District

Notes To Basic Financial Statements

June 30, 2015

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 government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which the governmental fund financial statements are prepared. Governmental fund financial statements do not include the effect of capital assets. Therefore, governmental fund financial statements have been reconciled with government-wide 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 governmental funds. However, assets are only to be capitalized in government-wide 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 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.

Pewee Valley Fire Protection District

Notes To Basic Financial Statements

June 30, 2015

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 - Net Position And Fund Balances

In the Statement Of Net Position, the difference between the District's assets and liabilities is recorded as net position. The three components of net position are as follows:

- Net Investment In Capital Assets - Records capital assets net of accumulated depreciation and related liabilities.
- Restricted - Net position that is restricted by external sources or by law are reported separately as restricted net position.
- Unrestricted - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

The Pewee Valley Fire Protection District has implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In the fund financial statements, governmental funds report the following classifications of fund balance:

- Nonspendable - includes amounts that cannot be spent because they are either not spendable in form or legally or contractually required to be maintained intact. There are no amounts reported as nonspendable at June 30, 2015 by the District as nonspendable in form. The District has not reported any amounts that are legally or contractually required to be maintained intact.
- Restricted - includes amounts restricted by external sources (creditors, laws of other governments, etc) or by constitutional provision or enabling legislation.
- Committed - includes amounts that can only be used for specific purposes. Committed fund balances are reported pursuant to ordinances passed by the Board Of Trustees, the District's highest level of decision making authority.

Pewee Valley Fire Protection District

Notes To Basic Financial Statements

June 30, 2015

- Assigned - includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balances.
- Unassigned - includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

When resources are available from multiple classifications, the District spends the funds in the following order: restricted, committed, assigned, unassigned.

Note C-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 \$480,442 and the bank balance was \$484,700. As of June 30, 2015 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 D-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.

Note E-Capital Assets And Depreciation

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

Pewee Valley Fire Protection District

Notes To Basic Financial Statements

June 30, 2015

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	\$ 2,099,238	\$ 607,876	\$ -	\$ 2,707,114
Land	215,000	-	-	215,000
Equipment	508,522	35,568	-	544,090
Vehicles	<u>1,477,624</u>	<u>-</u>	<u>-</u>	<u>1,477,624</u>
Subtotal	<u>4,300,384</u>	<u>643,444</u>	<u>-</u>	<u>4,943,828</u>
Less Accumulated				
Depreciation:				
Buildings	336,849	59,541	-	396,390
Land	-	-	-	-
Equipment	287,702	43,390	-	331,092
Vehicles	<u>1,410,526</u>	<u>32,987</u>	<u>-</u>	<u>1,443,513</u>
Subtotal	<u>2,035,077</u>	<u>135,919</u>	<u>-</u>	<u>2,170,996</u>
Government-Wide				
Capital Assets-Net	<u>\$ 2,265,307</u>	<u>\$ 507,525</u>	<u>\$ -</u>	<u>\$ 2,772,832</u>
Of Depreciation				

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

Note F-General Long-Term Debt

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 \$23,521 commencing December 15, 2013 and every six months thereafter through June 15, 2017. During the year ended June 30, 2015, the District elected to pay off the outstanding balance of the outstanding principal and accordingly zero was outstanding on this note as of June 30, 2015.

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 (which would require a 30% down payment or \$1,120,000 in net borrowings) on a 15-year note with interest of 3.915%. The loan agreement provides for annual payments of \$99,395 commencing December 20, 2014 and annually thereafter through December 20, 2028. The District made draws on the loan totaling \$533,171 during the current year and retired principal and previously accrued interest totaling \$78,320. As of June 30, 2015 the balance principal balance of the note payable was \$1,029,987.

Pewee Valley Fire Protection District

Notes To Basic Financial Statements

June 30, 2015

The debt payments that the District will be required to make to maturity are as follows:

2016	\$	58,055
2017		60,329
2018		62,691
2019		65,145
2020		67,696
2021-2025		380,378
2026-2029		<u>361,515</u>
Total Debt Payments		<u>\$1,055,809</u>

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

Note G-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 it's books at \$80,000, the fair 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 was approximately \$1,600,000. Construction was finalized and the station went into service in October 2014 with total construction costs of approximately \$1,753,380.

Note H-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, 2015.

Note I-Component Unit

As disclosed in Note A, Pewee Valley Fire District Foundation Incorporated (Foundation) is a component unit of Pewee Valley Fire Protection District. The Foundation reported \$500 in grant revenue for the year ended June 30, 2015, which was recognized as an increase to its cash and cash equivalents and net position for the year ended June 30, 2015. The transactions of the Foundation are blended with the transactions of the District in the basic financial statements because the board is substantively the same as the primary government, and the Foundation provides services exclusively to the District.

Pewee Valley Fire Protection District

Notes To Basic Financial Statements

June 30, 2015

Note J-Related Party Transactions

On an annual basis, each trustee completes a "Conflict of Interest Policy and Disclosure Form", which requires each trustee to identify and disclose to the Board of Trustees potential conflicts of interests to enable the Management of the District to identify potential related parties and transactions with related parties. During the year ended June 30, 2015, the District purchased certain small equipment and supplies from an identified related party, a business specializing in the sale of fire fighting and safety equipment. The business is owned by a member of the board of trustees. The District made disbursements totaling \$4,417 to this business during the current year and owed an additional \$813 to this business as of June 30, 2015. All transactions with this business were executed in the ordinary course of business. These transactions, which were not material to the District, were consummated on terms equivalent to those that prevail in arm's length transactions and were approved or ratified by the Board of Trustees.

Note K-Subsequent Events

District management has evaluated subsequent events through March 14, 2016, which is the date the financial statements were available to be issued, and have determined that 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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With
	<u>Original</u>	<u>Final</u>		Final Budget
Revenues				
Property Taxes	\$ 454,373	\$ 454,373	\$ 442,710	\$ (11,663)
Commonwealth Of Kentucky	7,750	7,750	7,750	-
Interest & Dividend Income	1,000	1,000	37	(963)
Other Income	600	600	825	225
Total Revenues	<u>463,723</u>	<u>463,723</u>	<u>451,322</u>	<u>(12,401)</u>
Expenditures				
General Administration	252,320	252,320	207,210	(45,110)
Equipment Purchase & Maintenance	45,470	45,470	52,943	7,473
Insurance	29,000	29,000	25,371	(3,629)
Capital Outlay	1,237,950	1,237,950	643,444	(594,506)
Total Expenditures	<u>1,564,740</u>	<u>1,564,740</u>	<u>928,968</u>	<u>(635,772)</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(1,101,017)</u>	<u>(1,101,017)</u>	<u>(477,646)</u>	<u>\$ 623,371</u>
Other Financing Sources (Uses)				
Proceeds From Long-Term Debt	1,120,000	1,120,000	553,841	(566,159)
Payment Of Accrued Interest	-	-	(14,127)	
Repayment Of Debt	(106,413)	(106,413)	(196,007)	(89,594)
Total Other Financing Sources (Uses)	<u>1,013,587</u>	<u>1,013,587</u>	<u>343,707</u>	<u>(655,753)</u>
Excess (Deficiency) Of Revenues And Other Sources Over Expenditures And Other Uses	<u>(87,430)</u>	<u>(87,430)</u>	(133,939)	<u>(46,509)</u>
Fund Balance At Beginning Of Year			<u>604,085</u>	
Fund Balance At End Of Year			<u>\$ 470,146</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 governmental activities and each major fund of the Pewee Valley Fire Protection District (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 and have issued our report thereon dated March 14, 2016.

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.

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. We did identify a deficiency in internal control, described in the accompanying schedule of findings as finding 2015-1, that we consider 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's Response to Findings

The District'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
March 14, 2016

Pewee Valley Fire Protection District
Schedule Of Findings And Responses
June 30, 2015

Finding:

2015-1

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.

Response:

Management has evaluated their significant classes of transactions over financial reporting and has identified control enhancements which were implemented in 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:

- 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 has created and adopted 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.