

POINT PLEASANT FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS

For the Year Ended June 30, 2016



POINT PLEASANT FIRE PROTECTION DISTRICT

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Anneken, Huey & Moser^{PLLC}

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of Point Pleasant Fire Protection District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Point Pleasant Fire Protection District, as of June 30, 2016, 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 and related ratios, schedule of required contributions, budgetary comparison schedule and notes to the required supplementary information on pages 3 through 7, page 28, page 29, page 30 and page 31, 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 December 29, 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.

Annex, Huey + Moser PLLC

Fort Wright, Kentucky
December 29, 2016

**POINT PLEASANT FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

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, 2016.

Financial Highlights

- The assets and deferred outflows of resources of the Point Pleasant Fire Protection District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$434,021 (net position). Of this amount, (\$636,662) (unrestricted net assets) may be used to meet the District's ongoing obligations.
- The District's total net position decreased by \$439,833.
- The Point Pleasant Fire Protection District's total debt increased by \$713,992 (27.41 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 \$434,021 at the close of the most recent fiscal year.

Net Positions

	Governmental-Type	
	Activities	
	2016	2015
ASSETS		
Cash	\$ 992,918	\$ 813,295
Tax receivable	6,667	32,464
Other receivable	9,531	18,615
Unamortized bond discount	28,453	29,530
Capital assets, not being depreciated	176,469	176,469
Capital assets, net of accumulated depreciation	2,208,517	2,379,175
TOTAL ASSETS	\$ 3,422,555	\$ 3,449,548
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	\$ 496,957	\$ 223,965
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 496,957	\$ 223,965

	Governmental-Type	
	<u>2016</u>	<u>2015</u>
LIABILITIES		
Accounts payable	\$ 39,033	\$ 39,355
Accrued payroll and taxes	33,922	27,127
Accrued pension	-	3,414
Long term debt:		
Net pension liability	1,971,062	1,269,152
Compensated absences	33,517	23,238
Due within one year	41,948	35,000
Due after one year	1,272,355	1,277,500
TOTAL LIABILITIES	<u>\$ 3,391,837</u>	<u>\$ 2,674,786</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	<u>\$ 93,654</u>	<u>\$ 124,873</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 93,654</u>	<u>\$ 124,873</u>
NET POSITIONS		
Net investment in capital assets	\$ 1,070,683	\$ 1,243,144
Unrestricted (restated)	(636,662)	(369,290)
TOTAL NET POSITIONS	<u>\$ 434,021</u>	<u>\$ 873,854</u>

At the end of the current fiscal year, the Point Pleasant Fire Protection District reported a positive balance in net 380,148 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. During prior year, the District implemented GASB Statement 68. 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. Decisions regarding the allocations are made by the administrators of the pension plan, not by Point Pleasant Fire Protection District's management. Also, during fiscal ending June 30, 2011, the District administered a grant for the purchase of a SCBA Maze Trailer. However, the trailer belongs to the Boone County Fire Chief's Association. A prior period adjustment was made as of June 30, 2016 to account for the purchase and corresponding accumulated depreciation of the trailer. The effect of the adjustment resulted in a decrease of \$59,685 in net position.

Governmental activities decreased the District's net position by \$380,148. This decrease is largely attributed to the increase in retirement expense due the implementation of GASB Statement 68.

Changes in Net Positions

	Governmental-Type Activities	
	2016	2015
REVENUES		
Real and tangible tax revenue	\$ 2,091,416	\$ 1,516,931
EMS billings	71,594	86,701
Intergovernmental revenue	77,473	53,471
Other miscellaneous income	20,546	9,144
Interest	2,165	1,545
TOTAL REVENUES	<u>2,263,194</u>	<u>1,667,792</u>
EXPENSES		
Current		
Administrative expense	586,137	556,719
Wages and career benefits, payroll taxes and other fringe	2,015,014	1,464,399
Interest	42,191	42,804
TOTAL EXPENSES	<u>2,643,342</u>	<u>2,063,922</u>
EXCESS OF REVENUES OVER EXPENSES	<u>(380,148)</u>	<u>(396,130)</u>
NET CHANGES IN NET POSITION	(380,148)	(396,130)
FUND BALANCE/NET POSITION, BEGINNING OF YEAR	873,854	2,496,481
PRIOR PERIOD ADJUSTMENT	<u>(59,685)</u>	<u>(1,226,497)</u>
FUND BALANCE/NET POSITION, END OF YEAR	<u>\$ 434,021</u>	<u>\$ 873,854</u>

The Statement of Activities reflects a \$380,148 excess of expenses over revenue. Depreciation in the amount of \$189,179 was included in the Statement of Activities. As stated above, the deficiency is attributable to the increase 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, 2016, amounted to \$4,399,651. The investment in capital assets includes land, buildings, improvements and fire and medical equipment. There was a decrease of 1.84% in the total investment in capital assets for the current year.

	<u>2016</u>	<u>2015</u>
Land	\$ 176,469	\$ 176,469
Buildings and improvements	1,717,521	1,703,866
Equipment	533,048	627,525
Furniture and fixtures	75,759	78,748
Vehicles	1,896,854	1,895,377
Total	<u>\$ 4,399,651</u>	<u>\$ 4,481,985</u>

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 \$3,318,882. 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 27.41% from the prior year.

	<u>2016</u>	<u>2015</u>
Net pension liability	\$ 1,971,062	\$ 1,269,152
Compensated absences	33,517	25,082
Capital leases	1,314,303	1,347,500
	<u>\$ 3,318,882</u>	<u>\$ 2,641,734</u>

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

Budgetary Highlights

There were a few changes made to the original adopted budget for the fiscal year ending June 30, 2016. Those changes included: an increase of \$10,314 to Administration for tuition assistance, an increase of \$675 to Personnel services, an increase of \$5,030 to Contractual services for additional operating supplies, and an increase of \$7,635 to Fire equipment for additional protective clothing. Actual revenues were more than budgeted amounts by \$552,427. Actual expenditures were more than budgeted amounts by \$95,300. 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, 2016

	<u>General Fund</u>	<u>Adjustments (Note H)</u>	<u>Statement of Net Position</u>
ASSETS			
Cash	\$ 992,918	\$ -	\$ 992,918
Tax receivable	6,667	-	6,667
Other receivables	9,531	-	9,531
Unamortized bond discount	28,453	-	28,453
Capital assets not being depreciated	-	176,469	176,469
Capital assets, net of accumulated depreciation	-	2,208,517	2,208,517
TOTAL ASSETS	<u>1,037,569</u>	<u>2,384,986</u>	<u>3,422,555</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related pensions	-	496,957	496,957
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>496,957</u>	<u>496,957</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF REOURCES	<u>\$ 1,037,569</u>	<u>\$ 2,881,943</u>	<u>\$ 3,919,512</u>
LIABILITIES			
Accounts payable	\$ 39,033	\$ -	\$ 39,033
Accrued payroll and taxes	33,922	-	33,922
Long-term obligations			
Net pension liability	-	1,971,062	1,971,062
Compensated absences	-	33,517	33,517
Due within one year	-	41,948	41,948
Due after one year	-	1,272,355	1,272,355
TOTAL LIABILITIES	<u>72,955</u>	<u>3,318,882</u>	<u>3,391,837</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	-	93,654	93,654
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>93,654</u>	<u>93,654</u>
FUND BALANCES			
Unassigned	964,614	(964,614)	
TOTAL FUND BALANCES	<u>964,614</u>	<u>(964,614)</u>	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,037,569</u>	<u>\$ 2,447,922</u>	
NET POSITION			
Net investment in capital assets		\$ 1,070,683	\$ 1,070,683
Unrestricted		(636,662)	(636,662)
TOTAL NET POSITION		<u>\$ 434,021</u>	<u>\$ 434,021</u>

See accompanying notes to financial statements.

POINT PLEASANT FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE/NET POSITION
For the Year Ended June 30, 2016

	<u>General Fund</u>	<u>Adjustments (Note H)</u>	<u>Statement of Activities</u>
REVENUES			
Real and tangible tax revenue	\$ 1,572,333	\$ -	\$ 1,572,333
Payment in lieu of property taxes	491,325	-	491,325
Intergovernmental grants	77,473	-	77,473
Interest	2,165	-	2,165
Motor vehicle	27,758	-	27,758
EMS billings	71,594	-	71,594
Gain on disposals	-	6,917	6,917
Miscellaneous income	13,629	-	13,629
TOTAL REVENUES	<u>2,256,277</u>	<u>6,917</u>	<u>2,263,194</u>
EXPENDITURES			
Board expenses	10,476	-	10,476
Career benefits, payroll taxes and other fringe	658,573	397,699	1,056,272
District insurance	20,138	-	20,138
Dues and subscriptions	5,027	-	5,027
Education assistance	3,168	-	3,168
Fuel and oil	11,929	-	11,929
Internship program	18,496	-	18,496
Maintenance	51,986	-	51,986
Supplies and materials	36,679	-	36,679
Other contractual services	109,379	-	109,379
Other district services	31,352	-	31,352
Professional services	35,191	-	35,191
Salaries and wages	948,463	10,279	958,742
Travel and training	27,983	-	27,983
Uniforms	6,148	-	6,148
Utilities	27,929	-	27,929
Amortization	1,077	-	1,077
Depreciation	-	189,179	189,179
Debt service:			
Principal retirement	35,000	(35,000)	-
Interest	42,191	-	42,191
Capital outlay:			
Building, equipment, furniture and vehicles	80,083	(80,083)	-
TOTAL EXPENDITURES	<u>2,161,268</u>	<u>482,074</u>	<u>2,643,342</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	95,009	(475,157)	(380,148)
OTHER FINANCING SOURCES			
Proceeds from lease	36,803	(36,803)	-
Proceeds from disposals	8,794	(8,794)	-
TOTAL OTHER FINANCING SOURCES	<u>45,597</u>	<u>(45,597)</u>	<u>-</u>
NET CHANGES IN FUND BALANCE AND NET POSITION	140,606	(520,754)	(380,148)
FUND BALANCE/NET POSITION, BEGINNING OF YEAR	824,008	49,846	873,854
PRIOR PERIOD ADJUSTMENT	-	(59,685)	(59,685)
FUND BALANCE/NET POSITION, END OF YEAR	<u>\$ 964,614</u>	<u>\$ (530,593)</u>	<u>\$ 434,021</u>

See accompanying notes to financial statements.

POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

Fund Accounting

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

Major Funds

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

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

Basis of Accounting, Measurement Focus, and Financial Statement Presentation

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

POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

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

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

Budget

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

Revenue

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

Receivables

No allowance for doubtful accounts is required.

Capital Assets

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

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

POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

Prepays

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

Income Tax Status

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

Pervasiveness of Estimates

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

Fair Value of Financial Instruments

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

Long-Term Obligations

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

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

Net Position

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

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

POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 December 29, 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, 2016.

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

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

POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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.

POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, 2016, 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.

Upon plan termination, it was discovered that the plan did not provide the benefit for Chief Michael Giordano as it was represented to him. As a result, the District authorized its Chairman to execute a settlement agreement which provides for payments of \$50,000 in five separate installments beginning March 31, 2016. The next four payments will be made in the first week of January, beginning January 2017, and continuing each January in years 2018, 2019 and 2020.

As of July 1, 2015, the District adopted a retirement plan that is qualified under Internal Revenue Code Sections 401(a) and 501(a) to provide benefits for Chief Michael Giordano equal to the maximum limit under Internal Revenue Code Section 415(c) while he is a full-time employee and 15% of compensation while he is a part-time employee.

POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE E - CHANGE IN CAPITAL ASSETS

A summary of changes in capital assets follows:

	<u>Beginning Balance (restated)</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
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	1,703,866	17,884	(4,229)	1,717,521
Equipment	523,725	20,671	(11,348)	533,048
Furniture and fixtures	78,748	4,725	(7,714)	75,759
Vehicles	1,895,377	36,803	(35,326)	1,896,854
Total capital assets, being depreciated	4,201,716	80,083	(58,617)	4,223,182
Less accumulated depreciation:				
Building and improvements	708,537	42,959	(2,352)	749,144
Equipment	361,287	33,899	(11,348)	383,838
Furniture and fixtures	74,130	1,304	(7,714)	67,720
Vehicles	738,272	111,017	(35,326)	813,963
Total accumulated depreciation	1,882,226	189,179	(56,740)	2,014,665
Total capital assets, being depreciated, net	2,319,490	(109,096)	(1,877)	2,208,517
Capital assets, net	<u>\$ 2,495,959</u>	<u>\$ (109,096)</u>	<u>\$ (1,877)</u>	<u>\$ 2,384,986</u>

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.

In December 2015, a capital lease agreement was entered into for the purchase of a truck.

POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE F - LONG-TERM OBLIGATIONS (continued)

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, 2016 the liability for accrued vacation leave was \$33,517.

With the new reporting changes, the District is allocated its proportionate share of the CERS net pension liability. As of June 30, 2016, the net pension liability was \$1,971,062.

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2016:

	Beginning Balance	Issued/ Addition	Retired/ Refinanced	Ending Balance	Due Within One Year
Net pension liability	\$ 1,269,152	\$ 701,910	\$ -	\$ 1,971,062	\$ -
Compensated absences	23,238	10,279	-	33,517	-
Building and equipment lease	1,312,500	-	(35,000)	1,277,500	35,000
Truck lease	-	36,803	-	36,803	6,948
	<u>\$ 2,604,890</u>	<u>\$ 748,992</u>	<u>\$ (35,000)</u>	<u>\$ 3,318,882</u>	<u>\$ 41,948</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016 are as follows:

Year ending June 30,	
2017	\$ 84,502
2018	83,714
2019	82,927
2020	82,139
2021	83,852
2022-2026	377,265
2027-2031	370,837
2032-2036	368,750
2037-2041	366,801
2042-2043	108,332
Total minimum lease payments	<u>2,009,119</u>
Less: amount representing interest	<u>694,816</u>
Present value of future minimum lease payments	<u>\$ 1,314,303</u>

POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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.

The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal years ended 2016 and 2017, determined as of July 1, 2015. 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	3.25 percent
Salary increase	4.00 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE G – EMPLOYEE RETIREMENT SYSTEM – (continued)

Non-hazardous Contributions – For the year ended June 30, 2016, 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, 2016, participating employers contributed 17.06% of each employee’s creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings. Contributions made to the pension plan from the District were \$6,393 for the year ended June 30, 2016.

Hazardous Contributions – For the year ended June 30, 2016, 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, 2016, participating employers contributed 32.95% 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 \$238,389 for the year ended June 30, 2016.

At June 30, 2016, the District reported a liability of \$1,971,062 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. 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, 2015, the District’s proportion was 0.00120% for non-hazardous and 0.12505% for hazardous.

For the year ended June 30, 2016, the District recognized pension expense of \$641,825. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	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	\$ 41,692	\$ -	\$ 428	\$ -
Changes of assumptions	165,884	-	5,191	-
Net difference between projected and actual earnings on plan investments	12,055	-	461	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	207,680	-	27,589	-
Total	\$ 427,311	\$ -	\$ 33,669	\$ -

POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE G – EMPLOYEE RETIREMENT SYSTEM – (continued)

The collective amount reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Deferred Inflows of Resources to be recognized in Fiscal Years Following the Reporting Date	
	Hazardous	Non-Hazardous
2017	75,725	8,302
2018	75,725	8,302
2019	75,725	8,302

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary increases	4.00 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

The mortality table used for active members is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for period after disability retirement. There is some margin in current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

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 covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. 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 plans 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 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Combined Equity	44%	5.40%
Combined Fixed Income	19	1.50
Real Return (Diversified Inflation Strategies)	10	3.50
Real Estate	5	4.50
Absolute Return (Diversified Inflation Strategies)	10	4.25
Private Equity	10	8.50
Cash Equivalent	2	-0.25
Total	<u>100%</u>	

Discount Rate – the discount used to measure the total pension liability was 7.50%. 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 28 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.

POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate for non-hazardous and hazardous:

	1% Decrease 6.50%	Hazardous Current Discount Rate 7.50%	1% Increase 8.50%
District's net pension liability	2,457,217	1,919,586	1,474,265

	1% Decrease 6.50%	Non-Hazardous Current Discount Rate 7.50%	1% Increase 8.50%
District's net pension liability	65,867	51,475	39,371

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.

Insurance Benefits

Plan Description – The Kentucky Retirement Insurance Fund (Fund) was established to provide hospital and medical insurance for members receiving benefits from KERS, CERS, and SPRS. The Fund pays a prescribed contribution for the whole or partial payment of required premiums to purchase hospital and medical insurance. The Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty.

Insurance Benefits – For members participating prior to July 1, 2013, the amount of contribution paid for hospital and medical insurance is based on years of service and respective percentages of the maximum contribution as follows:

<u>Years of Service</u>	<u>% Paid by Insurance Fund</u>
20 or more	100%
15-19	75%
10-14	50%
4-9	25%
Less than 4	0%

POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE G – EMPLOYEE RETIREMENT SYSTEM – (continued)

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on, or after, July 1, 2003 earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to maximum dollar amount. Upon death of hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost living adjustment (COLA), which is updated annually due to changes in the Consumer Price Index for all urban consumers. This benefit is not protected under the inviolable contract provisions of the Kentucky Revised Statute 16.652, 61.692 and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

Insurance Contributions – In prior years, the employer's required medical insurance contribution rate was being increased annually by a percentage that would result in advance-funding the medical liability on an actuarially determined basis using the entry age normal cost method with a 20-year period measured from 1987. In November 1992, the Board of Trustees adopted a fixed percentage contribution rate and suspended future increase under the current medical premium funding policy until the next experience study could be performed. In May 1996, the Board of Trustees adopted a policy to increase the insurance contribution rate by the amount needed to achieve a target rate for the full entry age normal funding within 20 years.

KRS commenced self-funding of healthcare benefits for its Medicare eligible retirees on January 1, 2006. A self-funded plan is one in which KRS assumes the financial risk for providing healthcare benefits to its retirees. The self-funded plan pays for claims out-of-pocket as they are presented instead of paying a pre-determined premium to an insurance carrier for a fully-insured plan. KRS funds the risk of its self-insured program directly from its insurance assets.

On August 6, 2012, the board voted to cease self-funding of healthcare benefits for most KRS Medicare eligible retirees. The Board elected to contract with Humana Insurance Company to provide healthcare benefits to KRS' retirees through a fully-insured Medicare Advantage Plan. The Humana Medicare Advantage Plan became effective January 1, 2013.

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

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

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

POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

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

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.

Capital assets, not being depreciated	
Land	\$ 176,469
Capital assets, at cost	
Building and improvements	1,717,521
Equipment	533,048
Furniture and fixtures	75,759
Vehicles	1,896,854
Accumulated depreciation	<u>(2,014,665)</u>
	<u>\$ 2,384,986</u>

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

Deferred outflows of resources	<u>\$ 496,957</u>
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Debt and compensated absences are not reported in the governmental funds, but are reported in the statement of net position.

Compensated absences	<u>\$ 33,517</u>
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Debt due within one year	<u>\$ 41,948</u>
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Debt due after one year	<u>\$ 1,272,355</u>
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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	<u>\$ 1,971,062</u>
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Deferred inflows of resources	<u>\$ 93,654</u>
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POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

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

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

Gain on disposal is shown as income on the statement of activities.

Gain on sale of asset	<u>\$ 6,917</u>
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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	<u>\$ 397,699</u>
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Changes in compensated absences do not require the use of current financial resources and therefore, are not reported as expenditures in government funds.

Changes in compensated absences	<u>\$ 10,279</u>
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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	<u>\$ 189,179</u>
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Debt principal payments are shown as expenditures in the governmental funds statements.

Debt service principal	<u>\$ (35,000)</u>
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Capital outlay is shown as expenditure in the governmental funds statements.

Capital outlay	<u>\$ (80,083)</u>
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POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

Loan proceeds are shown as another financing source in the governmental funds statements.

Loan proceeds from long-term debt \$ 36,803

Proceeds from disposal are shown as another financing source in the governmental funds statements.

Proceeds from disposals \$ 8,794

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, 2016.

NOTE J – RELATED PARTY TRANSACTIONS

The District incurred costs of \$17,478 for accounting services and \$3,329 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, 2016, the District spent \$4,375 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.

POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE K – FUND BALANCE REPORTING (continued)

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

During the fiscal year ending June 30, 2011, the District administered a grant to purchase a SCBA Maze Trailer. However, the trailer belongs to the Boone County Fire Chief's Association and should not have been included in the District's net position. A prior period adjustment was made as of June 30, 2016 to account for the effects of the purchase and accumulated depreciation. As a result, net position for the governmental activities decreased by \$59,685.

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, 2016

	Hazardous		Non-Hazardous	
	2016*	2015*	2016*	2015*
District's proportion of the net pension liability (%)	0.125050%	0.105258%	0.001200%	0.000127%
District's proportion of the net pension liability (\$)	\$ 1,919,586	\$ 1,265,016	\$ 51,475	\$ 4,136
District's covered-employee payroll	\$ 650,939	\$ 941,647	\$ 3,554	\$ 2,925
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	294.90%	134.34%	1448.35%	141.40%
Plan fiduciary net position as a percentage of the total pension liability**	57.52%	63.46%	59.97%	66.80%

*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, 2016

	Hazardous		Non-Hazardous	
	2016	2015	2016	2015
Contractually required contribution	\$ 238,389	\$ 223,337	\$ 6,393	\$ 628
Contributions in relation to the contractually required contribution	<u>238,389</u>	<u>223,337</u>	<u>6,393</u>	<u>628</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 723,487	\$ 650,939	\$ 37,474	\$ 3,554
Contributions as a percentage of covered-employee payroll	32.95%	34.31%	17.06%	17.67%

POINT PLEASANT FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2016

	Budgetary Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Tax revenue	\$ 1,532,500	\$ 1,532,500	\$ 2,091,416	\$ 558,916
Intergovernmental revenue	58,450	58,450	77,473	19,023
Interest	15,000	15,000	2,165	(12,835)
EMS billings	90,000	90,000	71,594	(18,406)
Miscellaneous income	7,900	7,900	13,629	5,729
TOTAL REVENUES	1,703,850	1,703,850	2,256,277	552,427
EXPENDITURES				
Administration	82,500	92,814	42,943	49,871
Personnel services	1,571,760	1,572,435	1,607,036	(34,601)
Contractual services	261,000	266,030	316,259	(50,229)
Supplies and materials	20,250	20,250	21,235	(985)
Fire equipment	18,000	25,635	15,444	10,191
Amortization	-	-	1,077	(1,077)
Debt service				
Principal retirement	36,804	36,804	35,000	1,804
Interest	41,000	41,000	42,191	(1,191)
Capital outlay				
Building, equipment, furniture and vehicles	12,000	11,000	80,083	(69,083)
TOTAL EXPENDITURES	2,043,314	2,065,968	2,161,268	(95,300)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(339,464)	(362,118)	95,009	457,127
OTHER FINANCING SOURCES				
Proceeds from lease	-	-	36,803	36,803
Proceeds from disposals	-	-	8,794	8,794
TOTAL OTHER FINANCING SOURCES	-	-	45,597	45,597
NET CHANGES IN FUND BALANCE AND NET POSITION	(339,464)	(362,118)	140,606	502,724
FUND BALANCE/NET POSITION, BEGINNING OF YEAR	339,464	362,118	824,008	461,890
FUND BALANCE/NET POSITION, END OF YEAR	\$ -	\$ -	\$ 964,614	\$ 964,614

POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016

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:

2015

- The assumed investment rate of return decreased from 7.75% to 7.50%
- The assumed rate of inflation was reduced from 3.50% to 3.25%
- The assumed rate of wage inflation was reduced from 1.00% to 0.50%
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for period after disability retirement. There is some margin in current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rate of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

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 2016 and 2017, determined as of July 1, 2015. 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	3.25 percent
Salary increase	4.00 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation



Anneken, Huey & Moser^{PLLC}

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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 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, 2016, and the related notes to the financial statements, which comprise the District's basic financial statements and have issued our report thereon dated December 29, 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.

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

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December 29, 2016