

POINT PLEASANT FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

POINT PLEASANT FIRE PROTECTION DISTRICT

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Anneken, Huey & Moser PLLC

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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, 2018, 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, 2018, 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 and required contributions, schedule of proportionate share of the net OPEB liability and related ratios and required contributions, budgetary comparison schedule and notes to the required supplementary information on pages 3 through 7 and pages 29 through 32, 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 February 4, 2019, 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.

Anneken, Huey & Moser PLLC

Anneken, Huey & Moser, PLLC

Fort Wright, Kentucky

February 4, 2019

**POINT PLEASANT FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018**

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, 2018.

Financial Highlights

- The liabilities and deferred inflows of resources of the Point Pleasant Fire Protection District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$926,199 (net position). Of this amount, (\$1,908,599) (unrestricted net assets) may be used to meet the District's ongoing obligations.
- The District's total net position decreased by \$1,244,358.
- The Point Pleasant Fire Protection District's total debt increased by \$1,805,364 (48 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, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$926,199 at the close of the most recent fiscal year.

Net Positions

	Governmental-Type	
	Activities	
	2018	2017
ASSETS		
Cash	\$ 955,397	\$ 1,028,240
Tax receivable	25,366	3,380
Other receivable	40,128	27,578
Unamortized bond discount	26,299	27,376
Capital assets, not being depreciated	176,469	176,469
Capital assets, net of accumulated depreciation	2,036,138	2,189,934
TOTAL ASSETS	\$ 3,259,797	\$ 3,452,977
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	\$ 1,847,818	\$ 838,402
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 1,847,818	\$ 838,402

	Governmental-Type Activities	
	2018	2017
LIABILITIES		
Accounts payable	\$ 53,111	\$ 44,434
Accrued payroll and taxes	38,338	29,669
Accrued pension	64,584	63,204
Long term debt:		
Net OPEB liability	1,154,102	-
Net pension liability	3,129,372	2,442,068
Compensated absences	39,623	33,517
Due within one year	42,355	42,148
Due after one year	1,187,852	1,230,207
TOTAL LIABILITIES	<u>\$ 5,709,337</u>	<u>\$ 3,885,247</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	<u>\$ 324,477</u>	<u>\$ 87,973</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 324,477</u>	<u>\$ 87,973</u>
NET POSITIONS		
Net investment in capital assets	\$ 982,400	\$ 1,094,048
Unrestricted (restated)	<u>(1,908,599)</u>	<u>(775,889)</u>
TOTAL NET POSITIONS	<u>\$ (926,199)</u>	<u>\$ 318,159</u>

At the end of the current fiscal year, the Point Pleasant Fire Protection District reported a positive balance in net investment in capital assets and a negative balance in unrestricted net position. These amounts represent the various funds unrestricted for the repayment of debt and ongoing capital needs. With the implementation of GASB Statement 68 and 75, the District is allocated its proportionate share of the County Employees Retirement System's net pension liability, net OPEB 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.

Governmental activities decreased the District's net position by \$592,428. This decrease is largely attributed to the increase in pension expense based on actuarial reports and the implementation of GASB Statement 75.

Changes in Net Positions

	Governmental-Type Activities	
	2018	2017
REVENUES		
Real and tangible tax revenue	\$ 2,006,606	\$ 1,899,039
EMS billings	92,349	102,153
Intergovernmental revenue	65,175	239,156
Other miscellaneous income	25,499	11,143
Interest	4,914	2,904
TOTAL REVENUES	<u>2,194,543</u>	<u>2,254,395</u>
EXPENSES		
Current		
Administrative expense	598,924	586,114
Wages and career benefits, payroll taxes and other fringe	2,146,481	1,741,590
Interest	41,566	42,553
TOTAL EXPENSES	<u>2,786,971</u>	<u>2,370,257</u>
NET CHANGES IN NET POSITION	(592,428)	(115,862)
FUND BALANCE/NET POSITION, BEGINNING OF YEAR	318,159	434,021
PRIOR PERIOD ADJUSTMENT	<u>(651,930)</u>	<u>-</u>
FUND BALANCE/NET POSITION, END OF YEAR	<u>\$ (926,199)</u>	<u>\$ 318,159</u>

The Statement of Activities reflects an \$592,428 excess of expenses over revenue. Depreciation in the amount of \$187,958 was included in the Statement of Activities. As stated above, the deficiency is attributable to the increase in pension expense due to the implementation of GASB Statement 75.

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, 2018, amounted to \$4,504,241. The investment in capital assets includes land, buildings, improvements and fire and medical equipment. There was a decrease of 1.38% in the total investment in capital assets for the current year.

	<u>2018</u>	<u>2017</u>
Land	\$ 176,469	\$ 176,469
Buildings and improvements	1,734,333	1,728,833
Equipment	630,942	689,227
Furniture and fixtures	79,278	75,759
Vehicles	1,883,219	1,896,854
Total	<u>\$ 4,504,241</u>	<u>\$ 4,567,142</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 \$5,553,304. Additionally, amounts for net pension liability, net OPEB liability, and compensated absences are in the long-term debt number. There was an increase in long-term debt of 48% from the prior year.

	<u>2018</u>	<u>2017</u>
Net OPEB liability	\$ 1,154,102	\$ -
Net pension liability	3,129,372	2,442,068
Compensated absences	39,623	33,517
Capital leases	1,230,207	1,272,355
	<u>\$ 5,553,304</u>	<u>\$ 3,747,940</u>

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

Budgetary Highlights

There were no changes made to the original adopted budget for the fiscal year ending June 30, 2018. Actual revenues were more than budgeted amounts by \$133,220. Actual expenditures were less than budgeted amounts by \$180,252. 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, 2018

	<u>Governmental Funds</u>	<u>Adjustments (Note H)</u>	<u>Statement of Net Position</u>
ASSETS			
Cash	\$ 955,397	\$ -	\$ 955,397
Tax receivable	25,366	-	25,366
Other receivables	40,128	-	40,128
Unamortized bond discount	26,299	-	26,299
Capital assets not being depreciated	-	176,469	176,469
Capital assets, net of accumulated depreciation	-	2,036,138	2,036,138
TOTAL ASSETS	<u>1,047,190</u>	<u>2,212,607</u>	<u>3,259,797</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions and OPEB	-	1,847,818	1,847,818
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>1,847,818</u>	<u>1,847,818</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,047,190</u>	<u>\$ 4,060,425</u>	<u>\$ 5,107,615</u>
LIABILITIES			
Accounts payable	\$ 53,111	\$ -	\$ 53,111
Accrued payroll and taxes	38,338	-	38,338
Accrued pension	64,584	-	64,584
Long-term obligations			
Net OPEB liability	-	1,154,102	1,154,102
Net pension liability	-	3,129,372	3,129,372
Compensated absences	-	39,623	39,623
Due within one year	-	42,355	42,355
Due after one year	-	1,187,852	1,187,852
TOTAL LIABILITIES	<u>156,033</u>	<u>5,553,304</u>	<u>5,709,337</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions and OPEB	-	324,477	324,477
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>324,477</u>	<u>324,477</u>
FUND BALANCES			
Unassigned	891,157	(891,157)	
TOTAL FUND BALANCES	<u>891,157</u>	<u>(891,157)</u>	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,047,190</u>	<u>\$ 4,986,624</u>	
NET POSITION			
Net investment in capital assets		\$ 982,400	\$ 982,400
Unrestricted		(1,908,599)	(1,908,599)
TOTAL NET POSITION		<u>\$ (926,199)</u>	<u>\$ (926,199)</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, 2018

	<u>Governmental Funds</u>	<u>Adjustments (Note H)</u>	<u>Statement of Activities</u>
REVENUES			
Real and tangible tax revenue	\$ 1,717,939	\$ -	\$ 1,717,939
Motor vehicle	26,729	-	26,729
Payment in lieu of property taxes	261,938	-	261,938
Intergovernmental grants	65,175	-	65,175
Interest	4,914	-	4,914
EMS billings	92,349	-	92,349
Gain on disposal	-	1,500	1,500
Miscellaneous income	23,999	-	23,999
TOTAL REVENUES	<u>2,193,043</u>	<u>1,500</u>	<u>2,194,543</u>
EXPENDITURES			
Personnel services	1,723,811	422,670	2,146,481
Maintenance	101,729	-	101,729
Training	17,666	-	17,666
Contractual fees	185,919	-	185,919
Utilities	29,292	-	29,292
Equipment	17,623	-	17,623
Operating expenses	13,490	-	13,490
Miscellaneous expenses	44,170	-	44,170
Amortization	1,077	-	1,077
Depreciation	-	187,958	187,958
Debt service:			
Principal retirement	42,148	(42,148)	-
Interest	41,566	-	41,566
Capital outlay:			
Building, equipment, furniture and vehicles	34,162	(34,162)	-
TOTAL EXPENDITURES	<u>2,252,653</u>	<u>534,318</u>	<u>2,786,971</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(59,610)	(532,818)	(592,428)
OTHER FINANCING SOURCES			
Proceeds from disposals	1,500	(1,500)	-
TOTAL OTHER FINANCING SOURCES	<u>1,500</u>	<u>(1,500)</u>	<u>-</u>
NET CHANGES IN FUND BALANCE AND NET POSITION	(58,110)	(534,318)	(592,428)
FUND BALANCE/NET POSITION, BEGINNING OF YEAR	949,267	(631,108)	318,159
PRIOR PERIOD ADJUSTMENT	-	(651,930)	(651,930)
FUND BALANCE/NET POSITION, END OF YEAR	<u>\$ 891,157</u>	<u>\$ (1,817,356)</u>	<u>\$ (926,199)</u>

See accompanying notes to financial statements.

POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018

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, 2018

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, 2018

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

Investment Policy

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

Subsequent Events

Subsequent events have been evaluated through February 4, 2019, the date the financial statements were available to be issued. No significant events have occurred through this date requiring adjustment to the financial statements or disclosures.

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, 2018.

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, 2018

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 related to pensions and OPEB. 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 related to pensions and OPEB that result from the implementation of GASB Statement 68 and 75.

Pensions and OPEB

For purposes of measuring the net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pension, OPEB, 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, 2018

NOTE B - CASH AND INVESTMENTS (continued)

Deposits in financial institutions, reported as components of cash, cash equivalents, had a bank balance of \$982,405 at June 30, 2018, 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 payment was made in the first week of January 2017, and will continue 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, 2018

NOTE E - CHANGE IN CAPITAL ASSETS

A summary of changes in capital assets follows:

	<u>Beginning Balance</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	1,728,833	5,500	-	1,734,333
Equipment	689,227	25,143	(83,428)	630,942
Furniture and fixtures	75,759	3,519	-	79,278
Vehicles	1,896,854	-	(13,635)	1,883,219
Total capital assets, being depreciated	4,390,673	34,162	(97,063)	4,327,772
Less accumulated depreciation:				
Building and improvements	788,219	43,408	-	831,627
Equipment	426,520	53,583	(83,428)	396,675
Furniture and fixtures	69,662	2,420	-	72,082
Vehicles	916,338	88,547	(13,635)	991,250
Total accumulated depreciation	2,200,739	187,958	(97,063)	2,291,634
Total capital assets, being depreciated, net	2,189,934	(153,796)	-	2,036,138
Capital assets, net	<u>\$ 2,366,403</u>	<u>\$ (153,796)</u>	<u>\$ -</u>	<u>\$ 2,212,607</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, 2018

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, 2018 the liability for accrued vacation leave was \$39,623.

With the new reporting changes, the District is allocated its proportionate share of the CERS net pension liability and net OPEB liability. As of June 30, 2018, the net pension liability was \$3,129,372 and the net OPEB liability was \$1,154,102.

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2018:

	Beginning Balance	Issued/ Addition	Retired/ Refinanced	Ending Balance	Due Within One Year
Net OPEB liability	\$ 695,030	\$ 459,072	\$ -	1,154,102	\$ -
Net pension liability	2,442,068	687,304	-	3,129,372	-
Compensated absences	33,517	-	-	33,517	-
Building and equipment lease	1,242,500	-	(35,000)	1,207,500	35,000
Truck lease	29,855	-	(7,148)	22,707	7,355
	<u>\$ 4,442,970</u>	<u>\$ 1,146,376</u>	<u>\$ (42,148)</u>	<u>\$ 5,547,198</u>	<u>\$ 42,355</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 are as follows:

<u>Year ending</u> <u>June 30,</u>	
2019	\$ 82,927
2020	82,139
2021	83,852
2022	77,478
2023	76,498
2024-2028	373,432
2029-2033	368,419
2034-2038	367,913
2039-2043	328,245
Total minimum lease payments	<u>1,840,903</u>
Less: amount representing interest	<u>610,696</u>
Present value of future minimum lease payments	<u>\$ 1,230,207</u>

POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE G – COUNTY EMPLOYEE’S RETIREMENT SYSTEM

Plan Description – Employees are covered by CERS, a cost-sharing multiple-employer defined benefit pension and health insurance (Other Post-Employment Benefits; OPEB) plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised State (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes the financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>. The Plan is divided into both a Pension Plan and Health Insurance Fund Plan (Other Post-Employment Benefits; OPEB)

PENSION PLAN

Non-hazardous Contributions – For the year ended June 30, 2018, 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, 2018, participating employers contributed 14.48% 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 \$4,894 for the year ended June 30, 2018.

Hazardous Contributions – For the year ended June 30, 2018, 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, 2018, participating employers contributed 22.20% 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 \$176,700 for the year ended June 30, 2018.

At June 30, 2018, the District reported a liability of \$3,129,372 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. 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, 2018, the District’s proportion was 0.001441% for non-hazardous and 0.136104% for hazardous.

For the year ended June 30, 2018, the District recognized pension expense of \$477,116. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE G – COUNTY EMPLOYEE’S RETIREMENT SYSTEM – (continued)

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 111,793	\$ (2,141)
Changes of assumptions	622,977	-
Net difference between projected and actual earnings on plan investments	206,409	(178,757)
Changes in proportion and differences between employer contributions and proportionate share of contributions	227,796	(68,624)
Contributions subsequent to the measurement date	<u>181,594</u>	<u>-</u>
Total	<u>\$ 1,350,569</u>	<u>\$ (249,522)</u>

The District’s contributions subsequent to the measurement date of \$181,594 will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Net Deferral</u>
2019	426,625
2020	400,310
2021	126,827
2022	(34,308)
	<u>919,454</u>

POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE G – COUNTY EMPLOYEE’S RETIREMENT SYSTEM – (continued)

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2016
Experience study	July 1, 2008 - July 31, 2013
Actuarial cost method	Entry age Normal
Amortization cost method	Level percentage of payroll, closed
Remaining amortization period	30 years
Payroll growth	2.00%
Asset valuation method	20% of the difference between market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary increase	3.05%, average
Investment rate of return	6.25%

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 (setback 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.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

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:

POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE G -- COUNTY EMPLOYEE'S RETIREMENT SYSTEM -- (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Combined Equity	35%	6.91%
Combined Fixed Income	28%	6.18%
Real Return (Diversified Inflation Strategies)	10%	6.13%
Real Estate	5%	7.63%
Absolute Return (Diversified Inflation Strategies)	10%	5.63%
Private Equity	10%	8.25%
Cash Equivalent	2%	1.88%
Total	<u>100%</u>	

Discount Rate – the discount used to measure the total pension liability was 6.25%. 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 26 years (closed) 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.

Sensitivity Analysis – The following presents the net pension liability of the District calculated using the discount rate of percent of 6.25%, 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 (5.25%) or 1-percentage-point higher (7.25%) than the current rate for hazardous and non-hazardous:

	<u>5.25%</u>	<u>6.25%</u>	<u>7.25%</u>
Discount rate, hazardous			
Net pension liability, hazardous	3,828,568	3,045,026	2,397,934
Discount rate, non-hazardous			
Net pension liability, non-hazardous	106,379	84,346	65,916

POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE G – COUNTY EMPLOYEE’S RETIREMENT SYSTEM – (continued)

HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS

Non-hazardous Contributions – For the year ended June 30, 2018, participating employers contributed 4.70% of each employee’s creditable compensation. Contributions made to the OPEB plan from the District were \$1,906 for the year ended June 30, 2018.

Hazardous Contributions – For the year ended June 30, 2018, participating employers contributed 9.35% of each employee’s creditable compensation, determined by an actuary. Contributions to the OPEB plan from the District were \$74,026 for the year ended June 30, 2018.

At June 30, 2018, the District reported a liability of \$1,154,102 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District’s proportion of the net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all governmental entities, actuarially determined. At June 30, 2018, the District’s proportion was 0.001441% for non-hazardous and 0.136104% for hazardous.

For the year ended June 30, 2018, the District recognized OPEB expense of \$196,974. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ -	\$ (2,702)
Changes of assumptions	421,317	-
Net difference between projected and actual earnings on plan investments	-	(71,962)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(291)
Contributions subsequent to the measurement date	75,932	-
Total	<u>\$ 497,249</u>	<u>\$ (74,955)</u>

POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE G – COUNTY EMPLOYEE’S RETIREMENT SYSTEM – (continued)

The District’s contributions subsequent to the measurement date of \$75,932 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Fiscal Year Ending	
<u>June, 30</u>	
2019	\$ 112,606
2020	112,606
2021	112,606
2022	59,047
2023	1,166
Therafter	326
	<u>\$ 398,358</u>

The total OPEB liability in June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age Normal
Amortization cost method	Level percent of pay
Remaining amortization period	28 Years, Closed
Payroll growth	2.00%
Asset valuation method	20% of the difference between market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary increase	3.05%
Investment rate of return	6.25%
Healthcare Trend Rates (Pre-65)	Initial trend starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study calculated as of June 30, 2015.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are 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 by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are as follows:

POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE G – COUNTY EMPLOYEE’S RETIREMENT SYSTEM – (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Combined Equity	35%	6.91%
Combined Fixed Income	28%	6.18%
Real Return (Diversified Inflation Strategies)	10%	6.13%
Real Estate	5%	7.63%
Absolute Return (Diversified Inflation Strategies)	0%	5.63%
Private Equity	10%	8.25%
Cash Equivalent	2%	1.88%
Total	<u>100%</u>	

Discount rate – The discount rate used to measure the total OPEB liability was 5.84% for the non-hazardous plan and 5.96% for the hazardous plan. The projection of cash flows used to determine the discount rate assumed that contributions from government entities will be made at contractually required rates, actuarially determined. Based on this assumption, the Plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefits payments to determine the total OPEB liability.

Sensitivity Analysis – The following presents the net OPEB liability of the District calculated using the discount rates of percent of 5.84% for the non-hazardous plan and 5.96% for the hazardous plan, as well as what the District’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for hazardous and non-hazardous:

Discount rate, hazardous	4.96%	5.96%	6.96%
Net OPEB liability, hazardous	\$ 1,507,833	\$ 1,125,133	\$ 812,022
Discount rate, non-hazardous	4.84%	5.84%	6.84%
Net OPEB liability, non-hazardous	\$ 36,861	\$ 28,969	\$ 22,401

The following represents the proportionate share of the net OPEB liability, as well as what the proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE G – COUNTY EMPLOYEE’S RETIREMENT SYSTEM – (continued)

The following represents the proportionate share of the net OPEB liability, as well as what the proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Healthcare cost trend rate, hazardous			
Net OPEB liability, hazardous	\$ 796,464	\$ 1,125,133	\$ 1,531,910
	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Healthcare cost trend rate, non-hazardous			
Net OPEB liability, non-hazardous	\$ 22,221	\$ 28,969	\$ 37,741

Both the Pension Plan and the Health Insurance Plan issue publicly available financial reports that include financial statements and required supplementary information, and detailed information about each Plan’s fiduciary net position. These reports may be obtained, in writing, from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601.

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 position:

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

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

Capital assets, not being depreciated	
Land	\$ 176,469
Capital assets, at cost	
Building and improvements	1,734,333
Equipment	630,942
Furniture and fixtures	79,278
Vehicles	1,883,219
Accumulated depreciation	<u>(2,291,634)</u>
	<u>\$ 2,212,607</u>

POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

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

The following are not reported in the governmental funds but are reported in the statement of net position.

Deferred outflows of resources	<u>\$ 1,847,818</u>
Compensated absences	<u>\$ 39,623</u>
Debt due within one year	<u>\$ 42,355</u>
Debt due after one year	<u>\$ 1,187,852</u>
Net OPEB liability	<u>\$ 1,154,102</u>
Net pension liability	<u>\$ 3,129,372</u>
Deferred inflows of resources	<u>\$ 324,477</u>

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

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

Changes in 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>\$ 507,550</u>
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Gain on disposal is shown as income on the statement of activities.

Gain on sale of asset	<u>\$ 1,500</u>
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POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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 \$ 187,958

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

Debt service principal \$ (42,148)

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

Capital outlay \$ (34,162)

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, 2018.

NOTE J – RELATED PARTY TRANSACTIONS

The District incurred costs of \$15,884 for accounting services and \$3,580 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, 2018, the District spent \$3,955 on administrative services.

NOTE K – FUND BALANCE REPORTING

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

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

POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE K – FUND BALANCE REPORTING – (continued)

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

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

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

NOTE L – PRIOR PERIOD ADJUSTMENT

The District implemented Governmental Accounting Standards Board (GASB) statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the District to record beginning net OPEB liability and the effects on the net position of contributions made by the District during the measurement period (fiscal year ending June 30, 2017). As a result, net position for the governmental activities decreased by \$651,930.

REQUIRED SUPPLEMENTARY INFORMATION

POINT PLEASANT FIRE PROTECTION DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND
RELATED RATIOS AND REQUIRED CONTRIBUTIONS

For the Year Ended June 30, 2018

	Hazardous		Non-Hazardous	
	2018*	2017*	2018*	2017*
District's proportion of the net pension liability (%)	0.136104%	0.141620%	0.001441%	0.000244%
District's proportion of the net pension liability (\$)	\$ 3,045,026	\$ 2,430,044	\$ 84,345	\$ 12,024
District's covered-employee payroll	\$ 692,442	\$ 723,487	\$ 5,332	\$ 37,474
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	439.75%	335.88%	1581.81%	32.09%
Plan fiduciary net position as a percentage of the total pension liability**	49.80%	53.95%	53.30%	55.50%

*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.

	Hazardous		Non-Hazardous	
	2018	2017	2018	2017
Contractually required contribution	\$ 176,700	\$ 150,329	\$ 4,894	\$ 744
Contributions in relation to the contractually required contribution	176,700	150,329	4,894	744
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 795,944	\$ 692,442	\$ 33,801	\$ 5,332
Contributions as a percentage of covered-employee payroll	22.20%	21.71%	14.48%	13.95%

POINT PLEASANT FIRE PROTECTION DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND
RELATED RATIOS AND REQUIRED CONTRIBUTIONS

For the Year Ended June 30, 2018

	<u>Hazardous</u> 2018*	<u>Non-Hazardous</u> 2018*
District's proportion of the net OPEB liability (%)	0.136104%	0.001441%
District's proportion of the net OPEB liability (\$)	\$ 1,125,133	\$ 28,969
District's covered-employee payroll	\$ 692,442	\$ 5,332
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	162.49%	543.30%
Plan fiduciary net position as a percentage of the total pension liability**	59.00%	52.40%

*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.

	<u>Hazardous</u> 2018	<u>Non-Hazardous</u> 2018
Contractually required contribution	\$ 74,026	\$ 1,906
Contributions in relation to the contractually required contribution	<u>74,026</u>	<u>1,906</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 791,722	\$ 40,552
Contributions as a percentage of covered-employee payroll	9.35%	4.70%

POINT PLEASANT FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2018

	Budgetary Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Real estate and tangible tax revenue	\$ 1,590,000	\$ 1,590,000	\$ 1,717,939	\$ 127,939
Motor vehicle	20,000	20,000	26,729	6,729
Payment in lieu of taxes	261,900	261,900	261,938	38
Intergovernmental grants	88,123	88,123	65,175	(22,948)
Interest	1,900	1,900	4,914	3,014
EMS billings	90,000	90,000	92,349	2,349
Miscellaneous income	7,900	7,900	23,999	16,099
TOTAL REVENUES	2,059,823	2,059,823	2,193,043	133,220
EXPENDITURES				
Personnel services	1,731,539	1,731,539	1,723,811	7,728
Maintenance	59,751	59,751	101,729	(41,978)
Training	37,500	37,500	17,666	19,834
Contractual services	199,950	199,950	185,919	14,031
Utilities	36,100	36,100	29,292	6,808
Equipment	33,750	33,750	17,623	16,127
Operating expenses	21,500	21,500	13,490	8,010
Miscellaneous expenses	49,500	49,500	44,170	5,330
Amortization	-	-	1,077	(1,077)
Debt service				
Principal retirement	196,804	196,804	42,148	154,656
Interest	41,000	41,000	41,566	(566)
Capital outlay				
Building, equipment, furniture and vehicles	25,511	25,511	34,162	(8,651)
TOTAL EXPENDITURES	2,432,905	2,432,905	2,252,653	180,252
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(373,082)	(373,082)	(59,610)	313,472
NET CHANGES IN FUND BALANCE AND NET POSITION	(373,082)	(373,082)	(58,110)	314,972
FUND BALANCE/NET POSITION, BEGINNING OF YEAR	931,135	1,028,240	949,267	(78,973)
FUND BALANCE/NET POSITION, END OF YEAR	\$ 558,053	\$ 655,158	\$ 891,157	\$ 235,999

POINT PLEASANT FIRE PROTECTION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

Changes of Assumptions

In 2017, the demographic and economic assumptions that affect the measurement of the total pension and OPEB liability were updated as follows:

Total Pension Liability

- The assumed investment rate was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed rate of wage inflation was reduced from 4.00% to 3.05%.
- Payroll growth assumption was reduced from 4.00% to 2.00%.
- 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, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 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 the period after disability retirement. There is some margin in the 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 rates of retirement, withdrawal and disability were updated to more accurately reflect experience.

Total OPEB Liability

- The assumed investment rate was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed rate of wage inflation was reduced from 4.00% to 3.05%.
- Payroll growth assumption was reduced from 4.00% to 2.00%.
- For the non-hazardous plan, the single discount rate changed from 6.89% to 5.84%.
- For the hazardous plan, the single discount rate changed from 7.37% to 5.96%.
- 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).



Anneken, Huey & Moser^{PLLC}

Certified Public Accountants

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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, 2018, and the related notes to the financial statements, which comprise the District's basic financial statements and have issued our report thereon dated February 4, 2019.

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

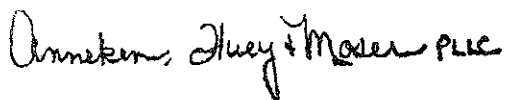
As part of obtaining reasonable assurance about whether Point Pleasant Fire Protection District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could 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

Ft. Wright, KY 41011

February 4, 2019