

NORTH OLDHAM FIRE PROTECTION DISTRICT

ANNUAL REPORT

JUNE 30, 2011



CPAS / CONSULTANTS

NORTH OLDHAM FIRE PROTECTION DISTRICT

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NORTH OLDHAM FIRE PROTECTION DISTRICT

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INDEPENDENT AUDITORS' REPORT

Members of the Board of Trustees of
North Oldham Fire Protection District

We have audited the accompanying financial statements of the governmental activities and each major fund of the North Oldham Fire Protection District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the North Oldham Fire Protection District as of June 30, 2011, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Members of the Board of Trustees
North Oldham Fire Protection District
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In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2011, on our consideration of the North Oldham Fire Protection District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 5 through 8 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Amick & Company

Louisville, Kentucky
October 7, 2011

North Oldham Fire Protection District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

This discussion and analysis of the North Oldham Fire Protection District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the accompanying Auditors' Report, the basic financial statements and the accompanying notes to those financial statements.

THE FINANCIAL STATEMENTS

The financial statements presented herein include all activities of the North Oldham Fire Protection District.

These statements present the financial picture of the District from the economic resources measurement focus using the modified accrual basis of accounting. All assets of the District as well as all liabilities are included in the combined statements.

The statement of Net Assets and the Statement of Activities and Changes in Net Assets report information about the District as a whole and about its activities. These statements report the District's net assets and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's vehicles and equipment.

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds.

Governmental Funds

All of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance programs. The relationship, or differences, between governmental activities reported in the statement of net assets and the statement of activities and the governmental funds is reconciled in the financial statements.

North Oldham Fire Protection District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

The District as a Whole

The perspective of the statement of net assets is that of the District as a whole.

Table 1
Net Assets

	Governmental Activities	
	2011	2010
<u>Assets</u>		
Current - Assets	\$ 1,014,717	\$ 1,187,537
Noncurrent Assets	4,587,085	4,796,878
Total Assets	<u>\$ 5,601,802</u>	<u>\$ 5,984,415</u>
<u>Liabilities</u>		
Current Liabilities	\$ 257,506	\$ 484,876
Noncurrent Liabilities	3,517,734	3,754,087
Total Liabilities	<u>\$ 3,775,240</u>	<u>\$ 4,238,963</u>
<u>Net Assets</u>		
Invested in Capital Assets		
Net of Related Debt	\$ 832,922	\$ 577,679
Restricted	-	-
Unreserved Fund Balance	993,639	1,167,773
Total Net Assets	<u>\$ 1,826,561</u>	<u>\$ 1,745,452</u>

The District reported positive net assets for governmental activities.

Capital Outlay

The District took delivery on two (2) new fire trucks during this fiscal year. Total cost of the two trucks was \$890,916. The purchase of these trucks was financed through a capital lease with PNC Bank. Details of the lease agreement is in Note 6 to the financial statements.

North Oldham Fire Protection District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Governmental Activity

The District's governmental activity programs include Personnel, General Operations, Administration, Capital Outlay, Interest on Debt and Depreciation on Capital Assets. Each program's net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the financial burden that was placed on the District's taxpayers.

	Governmental Activities	
	2011	2010
<u>Expenditures:</u>		
Personnel	\$ 603,578	\$ 574,297
Operating expenses	359,006	334,871
Administration	27,902	19,365
Capital outlay	43,882	23,356
Interest on long term debt	180,837	161,550
Depreciation and amortization	228,541	235,337
Total Expenditures	<u>\$ 1,443,746</u>	<u>\$ 1,348,776</u>
<u>Program Revenues:</u>		
Property taxes	\$ 1,440,879	\$ 1,441,353
Other revenue	57,636	241,349
Operating grants and contributions	25,800	41,291
Total Revenue	<u>1,524,315</u>	<u>1,723,993</u>
Changes in Net Assets	<u>\$ 80,569</u>	<u>\$ 375,217</u>

The governmental activity showed an increase in net assets during the year.

North Oldham Fire Protection District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

BUDGETS AND BUDGETARY ACCOUNTING

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

1. Before the beginning of the fiscal year the Fire Chief submits to the Board of Trustees a proposed budget for the year commencing July 1.
2. A public hearing is conducted to obtain public comment.
3. The budget is subsequently adopted by final board approval.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances, comply with finance-related laws and regulations, and demonstrate the District's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the District at 1660 KY Highway 1793, P. O. Box 3, Goshen, Kentucky 40026.

NORTH OLDHAM FIRE PROTECTION DISTRICT

Statement of Net Assets

June 30, 2011

	GOVERNMENTAL ACTIVITIES	BUSINESS - TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 956,342	\$ -	\$ 956,342
Accounts receivable			
Taxes - current	-	-	-
Accounts	-	-	-
Other	360	-	360
Bond issuance costs	58,014	-	58,014
Total Current Assets	<u>1,014,716</u>	<u>-</u>	<u>1,014,716</u>
CAPITAL ASSETS			
Capital assets	6,702,894	-	6,702,894
Less accumulated depreciation	<u>(2,115,809)</u>	<u>-</u>	<u>(2,115,809)</u>
Total Capital Assets	<u>4,587,085</u>	<u>-</u>	<u>4,587,085</u>
TOTAL ASSETS	<u>\$ 5,601,801</u>	<u>\$ -</u>	<u>\$ 5,601,801</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Current portion of bonds payable	70,000	-	70,000
Current portion of notes payable	56,399	-	56,399
Current portion of capital leases payable	110,030	-	110,030
Accrued compensated absences	21,077	-	21,077
Total Current Liabilities	<u>257,506</u>	<u>-</u>	<u>257,506</u>
NONCURRENT LIABILITIES			
Bonds payable	2,620,000	-	2,620,000
Notes payable	-	-	-
Capital leases payable	897,734	-	897,734
Total Noncurrent Liabilities	<u>3,517,734</u>	<u>-</u>	<u>3,517,734</u>
TOTAL LIABILITIES	<u>\$ 3,775,240</u>	<u>\$ -</u>	<u>\$ 3,775,240</u>
NET ASSETS			
Investment in capital assets, net of related debt	\$ 832,922	\$ -	\$ 832,922
Unrestricted	993,639	-	993,639
TOTAL NET ASSETS	<u>\$ 1,826,561</u>	<u>\$ -</u>	<u>\$ 1,826,561</u>

The accompanying notes are an integral part of these financial statements.

NORTH OLDHAM FIRE PROTECTION DISTRICT

Statement of Activities

District Wide

For the Year Ended June 30, 2011

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Personnel	\$ 603,578	\$ 13,700	\$ 9,300	\$ -	\$ (580,578)	\$ -	\$ (580,578)
Operating Expenses:							
Contracted services							
Advertising and printing	1,129	-	-	-	(1,129)	-	(1,129)
Professional services	31,509	-	-	-	(31,509)	-	(31,509)
Maintenance and repairs	110,288	-	-	-	(110,288)	-	(110,288)
Utilities	48,775	-	-	-	(48,775)	-	(48,775)
Insurance	58,898	-	-	-	(58,898)	-	(58,898)
Material and supplies							
Materials - equipment	38,566	-	-	-	(38,566)	-	(38,566)
Supplies	58,125	-	-	-	(58,125)	-	(58,125)
Administration							
Dues and subscriptions	2,494	-	-	-	(2,494)	-	(2,494)
Travel and training	25,404	-	-	-	(25,404)	-	(25,404)
Other	11,720	-	-	-	(11,720)	-	(11,720)
Capital outlay	43,882	-	16,500	3,038	(24,344)	-	(24,344)
Interest on long-term debt	180,837	-	-	-	(180,837)	-	(180,837)
Depreciation and amortization	228,541	-	-	-	(228,541)	-	(228,541)
Total Governmental Activities	<u>1,443,746</u>	<u>13,700</u>	<u>25,800</u>	<u>3,038</u>	<u>(1,401,208)</u>	<u>-</u>	<u>(1,401,208)</u>
Business-type Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Business-type Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fire District	<u>\$ 1,443,746</u>	<u>\$ 13,700</u>	<u>\$ 25,800</u>	<u>\$ 3,038</u>	<u>\$ (1,401,208)</u>	<u>\$ -</u>	<u>\$ (1,401,208)</u>
			General Revenues				
			Property taxes		\$ 1,290,414	\$ -	\$ 1,290,414
			Delinquent property tax		22,318	-	22,318
			Motor vehicle taxes		101,651	-	101,651
			Other taxes		26,496	-	26,496
			Investment earnings		8,082	-	8,082
			State and formula grants		-	-	-
			Gain on sale of fixed assets		(10,384)	-	(10,384)
			Miscellaneous		43,200	-	43,200
			Total General Revenues		<u>1,481,777</u>	<u>-</u>	<u>1,481,777</u>
			Change in Net Assets		80,569	-	80,569
			Net Assets - Beginning		1,745,992	-	1,745,992
			Net Assets - Ending		<u>\$ 1,826,561</u>	<u>\$ -</u>	<u>\$ 1,826,561</u>

The accompanying notes are an integral part of these financial statements.

NORTH OLDHAM FIRE PROTECTION DISTRICT

Balance Sheet
Governmental Funds
June 30, 2011

	GENERAL FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS AND RESOURCES		
Cash and cash equivalents	\$ 956,342	\$ 956,342
Accounts receivable		
Taxes - current	-	-
Accounts	<u>360</u>	<u>360</u>
TOTAL ASSETS	<u>\$ 956,702</u>	<u>\$ 956,702</u>
LIABILITIES		
Accounts payable	\$ -	\$ -
Accrued compensated absences	<u>21,077</u>	<u>21,077</u>
Total Liabilities	<u>21,077</u>	<u>21,077</u>
FUND BALANCES		
Assigned		
Capital improvements	379,557	379,557
Unassigned	<u>556,068</u>	<u>556,068</u>
Total Fund Balances	<u>935,625</u>	<u>935,625</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 956,702</u>	<u>\$ 956,702</u>

The accompanying notes are an integral part of these financial statements.

NORTH OLDHAM FIRE PROTECTION DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds

To the Statement of Net Assets

June 30, 2011

Total fund balance per fund financial statements		\$	935,625
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net assets			
Capital assets	\$	6,702,894	
Accumulated depreciation		<u>(2,115,809)</u>	4,587,085
Certain other assets are not reported in this fund financial statement because they are not available to pay current period expenditures, but are reported in the statement of net assets			
Bond issuance costs			58,014
Certain liabilities (such as bonds payable and capital leases payable) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets			
Bonds payable		(2,690,000)	
Notes payable		(56,399)	
Capital leases payable		<u>(1,007,764)</u>	<u>(3,754,163)</u>
Net assets for governmental activities		\$	<u>1,826,561</u>

The accompanying notes are an integral part of these financial statements.

NORTH OLDHAM FIRE PROTECTION DISTRICT

Statement of Revenue, Expenditures

And Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2011

	GENERAL FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES		
From local sources:		
Taxes:		
Property	\$ 1,290,414	\$ 1,290,414
Motor vehicles	101,651	101,651
Delinquent property	22,318	22,318
Other	26,496	26,496
Earnings on investments	8,082	8,082
State and formula grants	25,800	25,800
Charges for services	13,700	13,700
Other local revenues	60,238	60,238
TOTAL REVENUES	<u>1,548,699</u>	<u>1,548,699</u>
EXPENDITURES		
Personnel	603,578	603,578
Operating Expenses		
Contracted services		
Advertising and printing	1,129	1,129
Professional services	31,509	31,509
Maintenance and repairs	110,288	110,288
Utilities	48,775	48,775
Insurance	58,898	58,898
Materials and supplies		
Materials - equipment	38,566	38,566
Supplies	58,125	58,125
Administration		
Dues and subscriptions	2,494	2,494
Travel and training	25,404	25,404
Other	11,720	11,720
Capital outlay	84,492	84,492
Debt service	645,332	645,332
TOTAL EXPENDITURES	<u>1,720,310</u>	<u>1,720,310</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>(171,611)</u>	<u>(171,611)</u>
OTHER FINANCING SOURCES (USES)		
Proceeds from insurance reimbursement	-	-
Proceeds from issuance of capital lease	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>
FUND BALANCE JULY 1, 2010	<u>1,107,236</u>	<u>1,107,236</u>
FUND BALANCE JUNE 30, 2011	<u>\$ 935,625</u>	<u>\$ 935,625</u>

The accompanying notes are an integral part of these financial statements.

NORTH OLDHAM FIRE PROTECTION DISTRICT

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds
To the Statement of Net Assets
June 30, 2011

Net change in total fund balances per fund financial statements \$ (171,611)

Amounts reported for governmental activities in the statement
of activities are different because:

Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.

Total cost of capital assets	40,610
Depreciation expense	(226,019)
Gain (loss) on disposal of fixed assets	(24,383)

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net assets.

Bond principal payments	65,000
Notes payable principal payments	60,154
Capital lease payable principal payments	339,340

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Amortization of bond issuance costs	<u>(2,522)</u>
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Change in net assets of governmental activities \$ 80,569

The accompanying notes are an integral part of these financial statements.

NORTH OLDHAM FIRE PROTECTION DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2011

REVENUES	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
From local sources:				
Taxes:				
Property	\$ 1,297,124	\$ 1,297,124	\$ 1,290,414	\$ (6,710)
Motor vehicles	96,000	96,000	101,651	5,651
Delinquent property	25,500	25,500	22,318	(3,182)
Other	33,000	33,000	26,496	(6,504)
Earnings on investments	3,000	3,000	8,082	5,082
State and formula grants	23,750	23,750	25,800	2,050
Charges for services	-	-	13,700	13,700
Other local revenues	37,800	37,800	60,238	22,438
TOTAL REVENUES	1,516,174	1,516,174	1,548,699	32,525
 EXPENDITURES				
Personnel	607,461	607,461	603,578	3,883
Operating Expenses				
Contracted services				
Advertising and printing	1,000	1,000	1,129	(129)
Professional services	22,800	22,800	31,509	(8,709)
Maintenance and repairs	117,350	117,350	110,288	7,062
Utilities	43,500	43,500	48,775	(5,275)
Insurance	44,800	44,800	58,898	(14,098)
Other	13,900	13,900	-	13,900
Materials and supplies				
Materials - equipment	53,000	53,000	38,566	14,434
Supplies	62,000	62,000	58,125	3,875
Administration				
Dues and subscriptions	2,000	2,000	2,494	(494)
Travel and training	33,990	33,990	25,404	8,586
Other	-	-	11,720	(11,720)
Capital outlay	953,900	953,900	84,492	869,408
Debt service	408,405	408,405	645,332	(236,927)
TOTAL EXPENDITURES	2,364,106	2,364,106	1,720,310	643,796
 EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(847,932)	(847,932)	(171,611)	(611,271)
 OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of capital lease	660,000	660,000	-	660,000
Proceeds from sale of fixed assets	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	660,000	660,000	-	660,000
 EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(187,932)	(187,932)	(171,611)	48,729
 FUND BALANCE JULY 1, 2010	187,932	187,932	1,107,236	919,304
 FUND BALANCE JUNE 30, 2011	\$ -	\$ -	\$ 935,625	\$ 968,033

The accompanying notes are an integral part of these financial statements.

NORTH OLDHAM FIRE PROTECTION DISTRICT
Notes to Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

The basic financial statements of North Oldham Fire Protection District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The North Oldham Fire Protection District Board of Trustees (Trustees), a seven member group, is the level of government which has oversight responsibilities over all activities within the jurisdiction of the North Oldham Fire Protection District (District). The Trustees are selected as follows; two (2) members shall be active firefighters of the North Oldham Fire Protection District, two (2) members shall be property owners who own and reside in the North Oldham Fire Protection District and three (3) shall be appointed for terms of three years each by the Oldham County Judge Executive. The District is not included in any other governmental "reporting entity" as defined in Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

B. Related Organizations

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the North Oldham Fire Protection District.

C. Basis of Presentation, Basis of Accounting

i. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

NORTH OLDHAM FIRE PROTECTION DISTRICT
Notes to Financial Statements (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation, Basis of Accounting (Continued)

i. Basis of Presentation (Continued)

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The District reports the following major governmental funds:

The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use.

The District has no nonmajor funds.

Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses

NORTH OLDHAM FIRE PROTECTION DISTRICT
Notes to Financial Statements (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation, Basis of Accounting (Continued)

i. Basis of Presentation (Continued)

Measurement Focus, Basis of Accounting (Continued)

are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the district incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

NORTH OLDHAM FIRE PROTECTION DISTRICT
Notes to Financial Statements (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Financial Statement Amounts

i. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property. Taxes are due on receipt of the tax bill and are delinquent if not paid before January 1 of the year following the year in which the tax is imposed. On April 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

ii. Capital Assets

The District's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The District generally capitalizes assets with cost of \$2,500 or more. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	18 – 40
Technology equipment	5
Vehicles	5 – 20
General equipment	5 - 7

NORTH OLDHAM FIRE PROTECTION DISTRICT
Notes to Financial Statements (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Financial Statements Amounts (Continued)

iii. Estimates

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

F. Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP),

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the District at their regular meetings. Amendments are reflected in the official minutes of the District, and are not made after fiscal year-end as directed by law.

All budget appropriations lapse at year-end.

NORTH OLDHAM FIRE PROTECTION DISTRICT
Notes to Financial Statements (Continued)

NOTE 2. COMPLIANCE AND ACCOUNTABILITY

A. Finance Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38 "*Certain Financial Statement Note Disclosures*" violations of finance related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

B. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits:

At June 30, 2011, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$956,342 and the bank balance was \$962,633. The District's cash deposits at June 30, 2011, and during the year ended June 30, 2011, were entirely covered by FDIC insurance or pledged collateral held by the District's agent bank.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1 - Cash and cash equivalents that are insured or registered, or securities held by the fire district or by its agent in the fire district's name.

NORTH OLDHAM FIRE PROTECTION DISTRICT
Notes to Financial Statements (Continued)

NOTE 2. COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Deposits and Investments (Continued)

Cash Deposits (Continued):

Category 2 - Cash and cash equivalents and investments that are uninsured or unregistered, with securities held by the counterpart's trust department or agent in the fire district's name.

Category 3 - Cash and cash equivalents and investments that are uninsured and unregistered with securities held by the counterparty or its trust department or agent but not in the fire district's name.

The Fire District's deposits and investments at June 30, 2011, are categorized as follows:

	Carrying Amount/ <u>Market Value</u>	Bank <u>Balance</u>	<u>Category</u>		
			<u>1</u>	<u>2</u>	<u>3</u>
Demand Deposits:					
Checking	\$ 683,967	\$ 690,257	\$ 275,088	\$ -	\$ 408,879
Cert of Deposit	255,903	255,903	52,195	-	203,708
Money Market	<u>16,472</u>	<u>16,472</u>	<u>-</u>	<u>-</u>	<u>16,472</u>
Totals	<u>\$ 956,342</u>	<u>\$ 962,632</u>	<u>\$ 327,283</u>	<u>\$ -</u>	<u>\$ 629,059</u>

The District is allowed to invest in the following types of investments; short-term certificates of deposit, repurchase agreements, money market deposit accounts, government pools, and U. S. Treasury Obligations. The District records nonparticipating interest-earning investment contracts at cost. All other securities are recorded at fair value.

NORTH OLDHAM FIRE PROTECTION DISTRICT

Notes to Financial Statements (Continued)

NOTE 3. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2011, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 348,100	\$ -	\$ -	\$ 348,100
Fire Trucks Under Construction	<u>1,430,000</u>	<u>-</u>	<u>(1,430,000)</u>	<u>-</u>
Total nondepreciable historical cost	<u>1,778,100</u>	<u>-</u>	<u>(1,430,000)</u>	<u>348,100</u>
Capital assets that are depreciated:				
Building and building improvements	2,866,288	22,270	-	2,888,558
Fire trucks	1,157,394	1,438,540	(68,667)	2,527,267
Automobiles, other trucks, and boats	381,008	-	-	381,008
Fire and truck equipment	278,216	9,800	-	288,016
Computers and other equipment	200,396	-	-	200,396
Furnishings and fixtures	<u>69,548</u>	<u>-</u>	<u>-</u>	<u>69,548</u>
Total depreciable historical cost	<u>4,952,850</u>	<u>1,470,610</u>	<u>(68,667)</u>	<u>6,354,793</u>
Less accumulated depreciation for:				
Building and building improvements	612,390	90,197	-	702,587
Fire trucks	671,667	88,904	(44,283)	716,288
Automobiles, other trucks, and boats	144,029	32,094	-	176,123
Fire and truck equipment	241,606	12,597	-	254,203
Computers and other equipment	194,831	2,226	-	197,057
Furnishings and fixtures	<u>69,550</u>	<u>-</u>	<u>-</u>	<u>69,550</u>
Total accumulated depreciation	<u>1,934,073</u>	<u>226,018</u>	<u>(44,283)</u>	<u>2,115,808</u>
Total depreciable historical cost, net	<u>3,018,777</u>	<u>1,244,592</u>	<u>(24,384)</u>	<u>4,238,985</u>
Governmental activities capital assets, net	<u>\$ 4,796,877</u>	<u>\$ 1,244,592</u>	<u>\$ (1,454,384)</u>	<u>\$ 4,587,085</u>

Depreciation expense charged to governmental activities for the year ended June 30, 2011 was \$226,018.

NORTH OLDHAM FIRE PROTECTION DISTRICT
Notes to Financial Statements (Continued)

NOTE 4. BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued by the District aggregating \$2,845,000.

The original amount of the issue, issue dates and the interest rates of the bond issues are summarized below.

<u>ISSUE OF</u>	<u>ORIGINAL AMOUNT</u>	<u>INTEREST RATES</u>
Series 2003	\$ 2,845,000	Various, 1.25% to 5.00%

The District is obligated to make payments in amounts sufficient to satisfy debt service requirements on the bonds issued for the purpose of financing the costs of the acquisition, construction and equipping of a new fire station to be located in and operated by the District.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District at June 30, 2011 for debt service (principal and interest) are as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2011-12	\$ 70,000	\$ 127,205	\$ 197,205
2012-17	385,000	592,035	977,035
2017-22	475,000	497,781	972,781
2022-27	610,000	366,859	976,859
2027-32	780,000	193,750	973,750
2032-34	<u>370,000</u>	<u>18,750</u>	<u>388,750</u>
	<u>\$ 2,690,000</u>	<u>\$ 1,796,380</u>	<u>\$ 4,486,380</u>

NORTH OLDHAM FIRE PROTECTION DISTRICT
Notes to Financial Statements (Continued)

NOTE 5. NOTE PAYABLE

<u>Lender and Terms</u>	
PNC Bank	
Installment note payable in the amount of \$514,330, payable in monthly installments of \$5,355 including principal and interest. Interest rate is 4.53%. Note is secured by 2002 Seagrave Quint fire truck	\$ 56,398
Less current portion	<u>(56,398)</u>
TOTAL DUE ON OR AFTER ONE YEAR	\$ <u>- 0 -</u>

Total installments due on note payable over the next five years are as follows:

June 30, 2012	\$ <u>56,398</u>
	\$ <u>56,398</u>

Interest expense for the year ended June 30, 2011 was \$4,100.

NOTE 6. CAPITAL LEASE PAYABLE

The District has leases on three (3) fire trucks and a fire boat. These agreements qualify as capital leases under the requirements set forth in Section 840 of the FASB Accounting Standards Codification.

The District entered into the agreement for a General States Custom Pumper (Quad 1441) fire truck on October 12, 2006. It requires one hundred twenty (120) monthly payments of \$4,650 due and payable on the 12th of each month. The lease agreement is collateralized by the General States Custom Fire Pumper.

The District entered into the agreement on the fire boat on January 20, 2009. It requires one hundred forty-four (144) monthly payments of \$1,600 due and payable on the 20th of each month. The lease agreement is collateralized by a 2009 Munson 28' Packcat Landing Craft Rescue Boat.

NORTH OLDHAM FIRE PROTECTION DISTRICT
Notes to Financial Statements (Continued)

NOTE 6. CAPITAL LEASE PAYABLE (Continued)

The District entered into the agreement for the purchase of two (2) fire trucks on June 23, 2010. It requires one hundred twenty (120) monthly payments due and payable on the 23th of each month. The lease agreement is collateralized by two (2) custom pumper fire trucks.

The following is an analysis of the leased property under capital lease by class:

<u>Classes of Property</u>	<u>Book value as of June 30, 2011</u>
Fire Truck (Quad 1441)	\$ 449,154
Fire Boat	204,258
Fire Trucks (2)	880,000
<u>Year Ending June 30</u>	<u>Capital Lease Payable</u>
2012	\$ 152,793
2013	152,793
2014	152,793
2015	152,793
2016	152,793
Thereafter	<u>417,770</u>
Total minimum lease payments	1,181,735
Less: Amount representing interest	<u>(173,971)</u>
Present Value of Net Minimum Lease Payments	 <u>\$ 1,007,764</u>

NORTH OLDHAM FIRE PROTECTION DISTRICT
Notes to Financial Statements (Continued)

NOTE 7. LONG-TERM DEBT

Long-term debt balances and activity for the year ended June 30, 2011, were as follows:

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>PAYMENTS</u>	<u>ENDING BALANCE</u>
Governmental Activities:				
Bonds payable	\$ 2,755,000	\$ -0-	\$ 65,000	\$ 2,690,000
Notes payable	116,553	-0-	60,154	56,399
Capital leases payable	<u>1,347,645</u>	<u>-0-</u>	<u>339,881</u>	<u>1,007,764</u>
Total Long-term Debt	\$ <u>4,219,198</u>	\$ <u>-0-</u>	\$ <u>465,035</u>	\$ <u>3,754,163</u>

NOTE 8. COMPENSATED ABSCENCES

The District allows full-time employees to accrue paid leave to be used as paid time off work for travel, relaxation, personal time and illness/sick leave. An accrual for earned paid leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments.

Employees earn accrued paid leave based on the schedule as outlined in the Employee Handbook. Paid leave accrual caps at 450 hours per full time employee. Full-time employees who leave employment with the District but still have unused accrued paid leave will be paid for those hours but only up to the cap.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences" in the general fund.

NORTH OLDHAM FIRE PROTECTION DISTRICT
Notes to Financial Statements (Continued)

NOTE 9. RETIREMENT PLAN

The District elected to join the Kentucky Public Employees Deferred Compensation Program as of November 1, 2008. The Kentucky Public Employees Deferred Compensation Program provides supplemental retirement coverage for all state, public school and university employees and employees of local political subdivisions that have elected to participate. Plan administration is performed by the Kentucky Public Employees Deferred Compensation Authority under the direction of the Authority Board of Trustees as authorized under Kentucky Revised Statutes 18A.230 – 18A.275. Plan recordkeeping, communication, and enrollment services are performed by Nationwide Retirement Solutions, Inc., a FINRA registered broker/dealer.

The District participates in the 401(k) Supplemental Retirement Plan. The 401(k) Plan is a cash or deferral arrangement authorized under Section 401(k) of the United States Internal Revenue Code. All employee contributions are handled through payroll deductions on a pre-tax basis.

The District makes a matching contribution of up to 4% for all participating employees. The amount of the District's matching contribution for the year ended June 30, 2011 was \$26,660.

NOTE 10. INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibilities, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which included Worker's compensation insurance.



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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*

Members of the Board of Trustees
North Oldham Fire Protection District

We have audited the financial statements of the governmental activities and each major fund of North Oldham Fire Protection District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 7, 2011. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered North Oldham Fire Protection District's internal control over financial reporting as a basis for designing our auditing procedures 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 North Oldham Fire Protection District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the North Oldham Fire Protection District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the North Oldham Fire Protection District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the North Oldham Fire Protection District's financial statements that is more than inconsequential will not be prevented or detected by the North Oldham Fire Protection District's internal control. We consider the deficiencies described in the schedule of findings to be significant deficiencies in internal control over financial reporting – Findings 2011-1 and 2011-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the North Oldham Fire Protection District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe none of the significant deficiencies described above is a material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Oldham Fire Protection District's financial statements are free of 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

Members of the Board of Trustees
North Oldham Fire Protection District
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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*.

We noted certain matters that we reported to management of North Oldham Fire Protection District in a separate letter dated October 7, 2011.

This report is intended solely for the information and use of management of North Oldham Fire Protection District, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Amick & Company

Louisville, Kentucky
October 7, 2011

NORTH OLDHAM FIRE PROTECTION DISTRICT
Schedule of Findings
For the Year Ended June 30, 2011

Section I – Financial Statement Findings

Significant Deficiencies in Internal Control Over Financial Reporting

Finding Number 2011-1

Condition: The District lacks proper segregation of duties over its financial reporting.

Criteria: A fundamental concept in good system of internal control is the separation of duties. The basic concept is that no employee should have access to all phases of a transaction.

Cause: Limited personnel.

Effect: Controls are less effective due to the bookkeeper's involvement in all phases of various financial functions.

Recommendation: The District should develop procedures to monitor the financial activities where personnel are limited.

District Response: Management will review the procedures currently in place and determine what, if any, additional procedures need to be implemented.

Finding Number 2011-2

Condition: The District does not have a system of internal controls that would enable management to conclude that the financial statements and the related disclosures are complete and presented in accordance with generally accepted accounting principles.

Criteria: Management is responsible for the fair presentation of the financial results of operations, cash flows and disclosures in the financial statements in conformity with U.S. generally accepted accounting principles (GAAP).

Cause: Management has made the decision to accept this risk due to cost considerations.

Effect: Management has requested us to assist in identifying adjustments to the accounting records and to prepare a draft of the financial statements, including related footnote disclosures.

Recommendation: None.

District Response: Management has made the cost benefit decision to rely on our accounting expertise rather than incur additional internal resource costs.