

**NORTH OLDHAM FIRE PROTECTION DISTRICT**

**ANNUAL REPORT**

**JUNE 30, 2012**

# 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, 2012, 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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2012 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.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 5 through 9 and page 16 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 any opinion or provide any assurance.

*Amick & Company*

Louisville, Kentucky  
November 2, 2012

## NORTH OLDHAM FIRE PROTECTION DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A) YEAR ENDED JUNE 30, 2012

As management of the North Oldham Fire District "the District", we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

#### FINANCIAL HIGHLIGHTS

- The beginning cash balance for all funds of the District was \$956,342 and the ending balance was \$669,106, a decrease of \$287,236 for the year, principally due to the District purchasing new fire equipment and a new vehicle during this past fiscal year.
- The General Fund had \$1,565,112 in revenue. The major categories of revenue consisted primarily of property and motor vehicle taxes.
- The Trustees authorized an advance refunding of the outstanding Series 2003 General Obligation Bonds maturing on or after August 1, 2016. This advance refunding will result in substantial savings to the District.
- The District's long term debt decreased by \$240,208.

#### OTHER HIGHLIGHTS

- Richard Albers, Chief since 1999, retired during this past fiscal year. David Stoltz, a long time member of the department, was selected by the Trustees as the new Chief.

**North Oldham Fire Protection District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
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, 2012. 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, 2012

## 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	
	2012	2011
<u>Assets</u>		
Current - Assets	\$ 724,616	\$ 1,014,717
Noncurrent Assets	4,664,777	4,587,085
Total Assets	<u>\$ 5,389,393</u>	<u>\$ 5,601,802</u>
<u>Liabilities</u>		
Current Liabilities	\$ 182,606	\$ 257,506
Noncurrent Liabilities	3,356,956	3,517,734
Total Liabilities	<u>\$ 3,539,562</u>	<u>\$ 3,775,240</u>
<u>Net Assets</u>		
Invested in Capital Assets		
Net of Related Debt	\$ 1,150,821	\$ 832,922
Restricted	-	-
Unreserved Fund Balance	699,010	993,639
Total Net Assets	<u>\$ 1,849,831</u>	<u>\$ 1,826,561</u>

The District reported positive net assets for governmental activities.

The change in Net Assets were (1) an increase in Invested in Capital Assets of \$317,899 and (2) a decrease in Unreserved Fund Balance of \$294,629 resulting in an overall increase in Net Assets of \$23,270.



## North Oldham Fire Protection District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

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	
	2012	2011
<u>Expenditures:</u>		
Personnel	\$ 688,485	\$ 603,578
Operating expenses	383,908	359,006
Administration	16,959	27,902
Capital outlay	7,543	43,882
Interest on long term debt	167,473	180,837
Depreciation and amortization	277,748	228,541
Total Expenditures	<u>\$ 1,542,116</u>	<u>\$ 1,443,746</u>
<u>Program Revenues:</u>		
Property taxes	\$ 1,470,101	\$ 1,440,879
Other revenue	69,334	57,636
Operating grants and contributions	25,678	25,800
Total Revenue	<u>1,565,113</u>	<u>1,524,315</u>
Changes in Net Assets	<u>\$ 22,997</u>	<u>\$ 80,569</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, 2012  
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, 2012

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS - TYPE ACTIVITIES	TOTAL
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 669,124	\$ -	\$ 669,124
Accounts receivable			
Taxes - current	-	-	-
Accounts	-	-	-
Other	-	-	-
Bond issuance costs	55,492	-	55,492
Total Current Assets	724,616	-	724,616
<b>CAPITAL ASSETS</b>			
Capital assets	6,958,166	-	6,958,166
Less accumulated depreciation	(2,293,389)	-	(2,293,389)
Total Capital Assets	4,664,777	-	4,664,777
<b>TOTAL ASSETS</b>	<b>\$ 5,389,393</b>	<b>\$ -</b>	<b>\$ 5,389,393</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Current portion of bonds payable	40,000	-	40,000
Current portion of capital leases payable	117,000	-	117,000
Accrued compensated absences	25,606	-	25,606
Total Current Liabilities	182,606	-	182,606
<b>NONCURRENT LIABILITIES</b>			
Bonds payable	2,580,000	-	2,580,000
Capital leases payable	776,956	-	776,956
Total Noncurrent Liabilities	3,356,956	-	3,356,956
<b>TOTAL LIABILITIES</b>	<b>\$ 3,539,562</b>	<b>\$ -</b>	<b>\$ 3,539,562</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	\$ 1,150,821	\$ -	\$ 1,150,821
Unrestricted	699,010	-	699,010
<b>TOTAL NET ASSETS</b>	<b>\$ 1,849,831</b>	<b>\$ -</b>	<b>\$ 1,849,831</b>

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



# NORTH OLDHAM FIRE PROTECTION DISTRICT

Balance Sheet  
Governmental Funds  
June 30, 2012

	GENERAL FUND	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS AND RESOURCES</b>		
Cash and cash equivalents	\$ 669,124	\$ 669,124
Accounts receivable		
Taxes - current	-	-
Accounts	-	-
	-	-
<b>TOTAL ASSETS</b>	<b>\$ 669,124</b>	<b>\$ 669,124</b>
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ -
Accrued compensated absences	25,606	25,606
Total Liabilities	25,606	25,606
<b>FUND BALANCES</b>		
Assigned		
Operating Reserves	594,000	594,000
Unassigned	49,518	49,518
Total Fund Balances	643,518	643,518
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 669,124</b>	<b>\$ 669,124</b>

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, 2012

Total fund balance per fund financial statements		\$	643,518
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	\$	6,958,166	
Accumulated depreciation		<u>(2,293,389)</u>	4,664,777
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			55,492
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		(2,620,000)	
Capital leases payable		<u>(893,956)</u>	<u>(3,513,956)</u>
Net assets for governmental activities		\$	<u>1,849,831</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, 2012

	GENERAL FUND	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>		
From local sources:		
Taxes:		
Property	\$ 1,300,027	\$ 1,300,027
Motor vehicles	106,993	106,993
Delinquent property	31,604	31,604
Other	31,476	31,476
Earnings on investments	1,594	1,594
State and formula grants	20,973	20,973
Charges for services	-	-
Other local revenues	72,445	72,445
<b>TOTAL REVENUES</b>	<b>1,565,112</b>	<b>1,565,112</b>
<b>EXPENDITURES</b>		
Personnel	688,485	688,485
Operating Expenses		
Contracted services		
Advertising and printing	2,485	2,485
Professional services	33,961	33,961
Maintenance and repairs	107,152	107,152
Utilities	47,958	47,958
Insurance	65,299	65,299
Materials and supplies		
Materials - equipment	48,855	48,855
Supplies	65,785	65,785
Administration		
Dues and subscriptions	7,433	7,433
Travel and training	9,519	9,519
Other	12,420	12,420
Capital outlay	360,186	360,186
Debt service	407,681	407,681
<b>TOTAL EXPENDITURES</b>	<b>1,857,219</b>	<b>1,857,219</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>(292,107)</b>	<b>(292,107)</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Proceeds from insurance reimbursement	-	-
Proceeds from issuance of capital lease	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE JULY 1, 2011</b>	<b>935,625</b>	<b>935,625</b>
<b>FUND BALANCE JUNE 30, 2012</b>	<b>\$ 643,518</b>	<b>\$ 643,518</b>

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, 2012

Net change in total fund balances per fund financial statements	\$	(292,107)
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		352,917
Depreciation expense		(275,500)
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		70,000
Notes payable principal payments		56,399
Capital lease payable principal payments		113,809
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>
Change in net assets of governmental activities	\$	<u>22,996</u>

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, 2012

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
From local sources:				
Taxes:				
Property	\$ 1,299,550	\$ 1,299,550	\$ 1,300,027	\$ 477
Motor vehicles	108,000	108,000	106,993	(1,007)
Delinquent property	23,000	23,000	31,604	8,604
Other	30,000	30,000	31,476	1,476
Earnings on investments	2,500	2,500	1,594	(906)
State and formula grants	22,716	22,716	20,973	(1,743)
Charges for services	-	-	-	-
Other local revenues	72,000	72,000	72,445	445
<b>TOTAL REVENUES</b>	<u>1,557,766</u>	<u>1,557,766</u>	<u>1,565,112</u>	<u>7,346</u>
<b>EXPENDITURES</b>				
Personnel	665,743	665,743	688,485	(22,742)
Operating Expenses				
Contracted services				
Advertising and printing	1,000	1,000	2,485	(1,485)
Professional services	30,000	30,000	33,961	(3,961)
Maintenance and repairs	117,000	117,000	107,152	9,848
Utilities	45,500	45,500	47,958	(2,458)
Insurance	47,500	47,500	65,299	(17,799)
Other	13,000	13,000	-	13,000
Materials and supplies				
Materials - equipment	54,420	54,420	48,855	5,565
Supplies	63,050	63,050	65,785	(2,735)
Administration				
Dues and subscriptions	5,540	5,540	7,433	(1,893)
Travel and training	29,150	29,150	9,519	19,631
Other	-	-	12,420	(12,420)
Capital outlay	385,100	385,100	360,186	24,914
Debt service	406,836	406,836	407,681	(845)
<b>TOTAL EXPENDITURES</b>	<u>1,863,839</u>	<u>1,863,839</u>	<u>1,857,219</u>	<u>6,620</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<u>(306,073)</u>	<u>(306,073)</u>	<u>(292,107)</u>	<u>726</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from issuance of capital lease	-	-	-	-
Proceeds from sale of fixed assets	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<u>(306,073)</u>	<u>(306,073)</u>	<u>(292,107)</u>	<u>726</u>
<b>FUND BALANCE JULY 1, 2011</b>	<u>306,073</u>	<u>306,073</u>	<u>935,625</u>	<u>629,552</u>
<b>FUND BALANCE JUNE 30, 2012</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 643,518</u>	<u>\$ 630,278</u>

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, 2012, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$669,106 and the bank balance was \$674,271. The District's cash deposits at June 30, 2012, and during the year ended June 30, 2012, 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, 2012, are categorized as follows:

	Carrying Amount/ Market Value	Bank Balance	Category		
			<u>1</u>	<u>2</u>	<u>3</u>
Demand Deposits:					
Checking	\$ 108,440	\$ 113,587	\$ 108,440	\$ -	\$ -
Cert of Deposit	52,195	52,195	52,195	-	-
Money Market	<u>508,489</u>	<u>508,489</u>	<u>381,646</u>	<u>-</u>	<u>126,843</u>
Totals	<u>\$ 669,124</u>	<u>\$ 674,271</u>	<u>\$ 542,281</u>	<u>\$ -</u>	<u>\$ 126,843</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, 2012, 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
Total nondepreciable historical cost	<u>348,100</u>	<u>-</u>	<u>-</u>	<u>348,100</u>
Capital assets that are depreciated:				
Building and building improvements	2,888,558	39,466	-	2,928,024
Fire trucks	2,527,267	-	-	2,527,267
Automobiles, other trucks, and boats	381,008	37,771	(24,575)	394,204
Fire and truck equipment	288,016	270,400	(73,070)	485,346
Computers and other equipment	200,396	-	-	200,396
Furnishings and fixtures	69,548	5,280	-	74,828
Total depreciable historical cost	<u>6,354,793</u>	<u>352,917</u>	<u>(97,645)</u>	<u>6,610,065</u>
Less accumulated depreciation for:				
Building and building improvements	702,587	93,740	-	796,327
Fire trucks	716,288	120,663	-	836,951
Automobiles, other trucks, and boats	176,123	31,780	(24,575)	183,328
Fire and truck equipment	254,203	27,178	(73,070)	208,311
Computers and other equipment	197,057	1,336	-	198,393
Furnishings and fixtures	69,550	528	-	70,078
Total accumulated depreciation	<u>2,115,808</u>	<u>275,225</u>	<u>(97,645)</u>	<u>2,293,388</u>
Total depreciable historical cost, net	<u>4,238,985</u>	<u>77,692</u>	<u>-</u>	<u>4,316,677</u>
Governmental activities capital assets, net	<u>\$ 4,587,085</u>	<u>\$ 77,692</u>	<u>\$ -</u>	<u>\$ 4,664,777</u>

Depreciation expense charged to governmental activities for the year ended June 30, 2012 was \$275,225.

**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.

On May 9, 2012 the North Oldham Fire Protection District (the "Issuer") enacted a Resolution (the "Resolution") authorizing \$2,580,000 of Bonds for the purpose of refunding the outstanding North Oldham Fire Protection District General Obligation Bonds (Fire Station Project), Series 2003 (the "Series 2003 Bonds") maturing on and after August 1, 2016 which were issued for the purpose of paying the costs associated with the acquisition, construction and equipping of a new fire station located in Oldham County, Kentucky (the "Project").

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, 2012 for debt service (principal and interest) are as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2012-13	\$ 40,000	\$ 50,641	\$ 90,641
2013-18	315,000	340,245	655,245
2018-23	600,000	290,069	890,069
2023-28	675,000	205,862	880,862
2028-33	780,000	93,264	873,264
2033-34	<u>210,000</u>	<u>2,805</u>	<u>212,805</u>
	<u>\$ 2,620,000</u>	<u>\$ 982,886</u>	<u>\$ 3,602,886</u>

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

**NOTE 5. 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 12<sup>th</sup> 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 20<sup>th</sup> of each month. The lease agreement is collateralized by a 2009 Munson 28' Packcat Landing Craft Rescue Boat.

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 23<sup>th</sup> 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, 2012</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>
2013	\$ 152,793
2014	152,793
2015	152,793
2016	152,793
2017	115,663
Thereafter	<u>302,108</u>
Total minimum lease payments	1,028,943
Less: Amount representing interest	<u>(134,987)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 893,956</u>

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

**NOTE 6. LONG-TERM DEBT**

Long-term debt balances and activity for the year ended June 30, 2012, were as follows:

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>PAYMENTS</u>	<u>ENDING BALANCE</u>
Governmental Activities:				
Bonds payable	\$ 2,690,000	\$ -0-	\$ 70,000	\$ 2,620,000
Notes payable	56,399	-0-	56,399	- 0 -
Capital leases payable	<u>1,007,764</u>	<u>-0-</u>	<u>113,809</u>	<u>893,955</u>
Total Long-term Debt	\$ <u>3,754,163</u>	\$ <u>-0-</u>	\$ <u>240,208</u>	\$ <u>3,513,955</u>

**NOTE 7. 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 8. 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, 2012 was \$25,798.

**NOTE 9. 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.

**NOTE 10. SUBSEQUENT EVENTS**

The Board of Trustees passed a resolution at the September 13, 2012 meeting, authorizing the Treasurer to establish an unsecured line of credit up to \$250,000 with BB&T and also open one or more deposit accounts on behalf of the District.



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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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 2, 2012. 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

Management of North Oldham Fire District is responsible for establishing and maintaining effective 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 or 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.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings that we consider to be significant deficiencies in internal control over financial reporting. Finding 2012-1 through Finding 2012-4. A *significant deficiency* is a deficiency, or a combination of deficiencies, less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### 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 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 an exit conference held on November 2, 2012.

Members of the Board of Trustees  
North Oldham Fire Protection District  
Page - 3-

North Oldham Fire Protection District's response to the findings identified in our audit is described in the schedule of findings. We did not audit North Oldham Fire Protection District's response and, accordingly, we express no opinion on it.

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  
November 2, 2012



# NORTH OLDHAM FIRE PROTECTION DISTRICT

## Schedule of Findings For the Year Ended June 30, 2012

### Section I – Financial Statement Findings

#### *Significant Deficiencies in Internal Control Over Financial Reporting*

##### Finding Number 2012-1

**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 2012-2

**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.

**NORTH OLDHAM FIRE PROTECTION DISTRICT**  
Schedule of Findings  
For the Year Ended June 30, 2012

Section I – Financial Statement Findings (Continued)

*Significant Deficiencies in Internal Control Over Financial Reporting (Continued)*

**Finding Number 2012-3**

**Condition:** The District is not following its policy of requiring two (2) signatures on all checks over \$10,000.

**Criteria:** The Board of Trustees approved a policy at its December 2011 meeting requiring two (2) signatures on checks over \$10,000 with one of those signatures to be either the chair or treasurer of the Board.

**Cause:** There were four (4) checks over \$10,000 written after the passing of this policy. Only one (1) had the required two signatures. The three (3) checks that did not have two signatures were for normal operating expenses.

**Effect:** Failure to follow Board policies indicates a lack of management control.

**Recommendation:** We recommend that the Board Chair/Treasurer periodically review checks written to ensure Board policies are being followed.

**District Response:** Management will review their monitoring procedures currently in place and determine what changes are necessary to ensure policies are followed.

**Finding Number 2012-4**

**Condition:** The District does not have a system of monitoring and approving expenses.

**Criteria:** The payment and recording of expenses should be closely monitored. Disbursements should only be made from approved documentation such as original invoices.

**Cause:** Our review of paid invoices found limited approvals and no indication of payment on the invoice/supporting documentation.

**Effect:** Failure to monitor and approve expenses could result in miscoding of expenses, double payments, and increase the possibility of fraud or misappropriation.

**Recommendation:** We recommend that the District require all supporting documentation be canceled to prevent reuse and double payments. To help achieve these goals, we recommend that an approval stamp that has blocks available for the approval signature, date, check number, and general ledger account number be used and that no invoice be paid without proper approval.

**District Response:** Management will review their monitoring procedures currently in place and determine what changes are necessary to ensure all payments of invoices are properly approved.