

NORTH OLDHAM FIRE  
PROTECTION DISTRICT

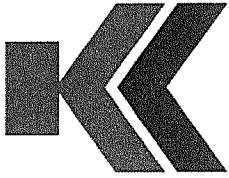
FINANCIAL STATEMENTS

JUNE 30, 2018

NORTH OLDHAM FIRE PROTECTION DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

To The Board Of Trustees  
North Oldham Fire Protection District

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the primary government activities and each major fund of the North Oldham Fire Protection District (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's primary government basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the District as of June 30, 2018,

and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***Emphasis Of Matter – Prior Year Restatement***

The financial statements of the District as of June 30, 2017 were audited by other auditors whose opinion dated October 4, 2018, expressed unmodified opinions on those financial statements. As discussed in Note K to the financial statements, the District has restated net position as of June 30, 2017 for matters related to capital assets, bond issuance costs, and accrued compensated. The other auditors reported on the 2017 financial statements before the restatement of net position.

As part of our audit of the 2018 financial statements, we audited the adjustments described in Note K that were applied to restate the beginning balances of the 2018 financial statements as of July 1, 2017. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2017 financial statements other than with respect to the adjustments, and accordingly, we do not express an opinion or any other form of assurance on the 2017 financial statements as a whole.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Kelly King & Co.*

Kelly King & Co.

Crestwood, Kentucky

December 13, 2018

North Oldham Fire Protection District  
Government-Wide Statement Of Net Position  
June 30, 2018

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash And Cash Equivalents	\$ 1,331,168	\$ -	\$ 1,331,168
Receivables:			
Property Tax Receivable	29,137	-	29,137
Capital Assets, Net Of Depreciation	3,201,124	92,839	3,293,963
Total Assets	4,561,429	92,839	4,654,268
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	18,970	-	18,970
Credit Cards Payable	1,899	-	1,899
Accrued Compensated Absences	18,932	-	18,932
Trustee Scholarship Allowance	4,375	-	4,375
Current Portion Of Bond Payable	115,000	-	115,000
Total Current Liabilities	159,176	-	159,176
Noncurrent Liabilities-Bond Payable	2,110,000	-	2,110,000
Total Liabilities	2,269,176	-	2,269,176
<b>NET POSITION</b>			
Net Position:			
Net Investment In Capital Assets	976,124	92,839	1,068,963
Restricted	238,608	-	238,608
Unrestricted	1,077,521	-	1,077,521
Total Net Position	\$ 2,292,253	\$ 92,839	\$ 2,385,092

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

North Oldham Fire Protection District  
Government-Wide Statement Of Activities  
For The Year Ended June 30, 2018

	Program Revenues			Net(Expenses) Revenues And Changes In Net Assets			
	Expenses	Fees And Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Business-Type Activities	Total
<b>Program Activities:</b>							
<b>Governmental Activities:</b>							
General Government	\$ 1,043,773	\$ 1,800	\$ 19,000	\$ -	\$ (1,022,973)	\$ -	\$ (1,022,973)
Repairs And Maintenance	110,256	-	-	-	(110,256)	-	(110,256)
Insurance	32,947	-	-	-	(32,947)	-	(32,947)
Depreciation	230,547	-	-	-	(230,547)	-	(230,547)
Total Governmental Activities	<u>1,417,523</u>	<u>1,800</u>	<u>19,000</u>	<u>-</u>	<u>(1,396,723)</u>	<u>-</u>	<u>(1,396,723)</u>
<b>Business-type Activities:</b>							
Cell Tower	8,912	93,219	-	-	-	84,307	84,307
<b>Total Government</b>	<u>\$ 1,426,435</u>	<u>\$ 95,019</u>	<u>\$ 19,000</u>	<u>\$ -</u>	<u>\$ (1,396,723)</u>	<u>\$ 84,307</u>	<u>\$ (1,312,416)</u>
<b>General Revenues:</b>							
Property Taxes					1,471,996	-	1,471,996
Other Income					5,810	-	5,810
Interest Income					5,473	-	5,473
Unrealized (Loss) on Brokered Certificate of Deposit					(6,984)	-	(6,984)
Transfers					76,069	(76,069)	-
Total General Revenues And Transfers					<u>1,552,364</u>	<u>(76,069)</u>	<u>1,476,295</u>
Change In Net Position					155,641	8,238	163,879
Net Position At Beginning Of Year					2,136,612	84,601	2,221,213
Net Position At End Of Year					<u>\$ 2,292,253</u>	<u>\$ 92,839</u>	<u>\$ 2,385,092</u>

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

North Oldham Fire Protection District  
 Balance Sheet  
 Governmental Funds  
 June 30, 2018

	<b>General Fund</b>
<b>ASSETS</b>	
Cash And Cash Equivalents	\$ 1,331,168
Receivables:	
Property Tax Receivable	29,137
Total Assets	\$ 1,360,305
<b>LIABILITIES</b>	
Accounts Payable	\$ 18,970
Credit Cards Payable	1,899
Accrued Compensated Absences	18,932
Trustee Scholarship Allowance	4,375
Total Liabilities	44,176
<b>FUND BALANCES</b>	
Restricted Fund Balances	238,608
Unassigned Fund Balances	1,077,521
Total Fund Balances	1,316,129
Total Liabilities And Fund Balances	\$ 1,360,305

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

North Oldham Fire Protection District  
 Reconciliation Of The Governmental Funds Balance Sheet  
 To The Statement Of Net Position  
 June 30, 2018

Total Fund Balance-Total Governmental Funds	\$	1,316,129
Amounts reported for governmental activities in the statement of net position are different because:		
Capital Assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet		3,201,124
Long term liabilities are not due in the current period and, therefore, are not reported in the governmental funds balance sheet:		
Due Within One Year	115,000	
Due In More Than One Year	<u>2,110,000</u>	
		<u>(2,225,000)</u>
Net position of governmental activities	\$	<u><u>2,292,253</u></u>

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



North Oldham Fire Protection District  
Statement Of Revenues, Expenditures And Changes In Fund Balances  
Governmental Funds  
For The Year Ended June 30, 2018

	<b>General Fund</b>
<b>Revenues:</b>	
Property Taxes	1,471,996
Grant Income	19,000
Rental Income	1,800
Other Income	5,810
Interest Income	5,473
Unrealized (Loss) on Brokered Certificate of Deposit	(6,984)
Total Revenues	1,497,095
<b>Expenditures:</b>	
General Government	1,043,773
Repairs And Maintenance	110,256
Insurance	32,947
Capital Outlay	67,056
Total Expenditures	1,254,032
<b>Excess (Deficiency) Of Revenues Over Expenditures</b>	<b>243,063</b>
<b>Other Financing Sources (Uses):</b>	
Transfers In	76,069
Transfers Out	-
Repayment Of Debt	(110,000)
Total Other Financing Sources (Uses)	(33,931)
<b>Excess (Deficiency) Of Revenues And Other Sources Over Expenditures And Other Uses</b>	<b>209,132</b>
<b>Fund Balance At Beginning Of Year</b>	<b>1,106,997</b>
<b>Fund Balance At End Of Year</b>	<b>\$ 1,316,129</b>

See independent auditor's report and accompanying  
notes to basic 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 Activities  
 For The Year Ended June 30, 2018

Net changes in fund balances-total governmental funds	\$ 209,132
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the government-wide financial statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	67,056
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds	(230,547)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance cost, premiums, discounts and similar items when debt is first issued, whereas the amounts are deferred and amortized in the Statement Of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items	<u>110,000</u>
Change in net position of governmental activities	<u><u>\$ 155,641</u></u>

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

North Oldham Fire Protection District  
Statement Of Net Position  
Proprietary Fund  
June 30, 2018

	<b>Business-Type Activities</b>
<b>ASSETS</b>	
Cash And Cash Equivalents	\$ -
Capital Assets, Net Of Depreciation	92,839
Total Assets	92,839
<b>LIABILITIES</b>	
Accounts Payable	-
Total Liabilities	-
<b>NET POSITION</b>	
Net Position:	
Invested In Capital Assets	92,839
Restricted	-
Unrestricted	-
Total Net Position	\$ 92,839

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

North Oldham Fire Protection District  
Statement Of Activities  
Proprietary Fund  
For The Year Ended June 30, 2018

	<b>Business-Type Activities Rental Fund</b>
<b>Operating Revenues:</b>	
Cell Tower - Rental Income	\$ 93,219
Total Operating Revenues	93,219
<b>Operating Expenses:</b>	
Depreciation	8,912
Total Operating Expenses	8,912
Net Operating Income	84,307
Operating Transfers In (Out)	(76,069)
Increase (Decrease) In Net Assets	8,238
Net Position-Beginning Of Year	84,601
Net Position-End Of Year	\$ 92,839

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

North Oldham Fire Protection District  
Statement Of Cash Flows  
Proprietary Fund  
For The Year Ended June 30, 2018

	<b>Business-Type Activities Rental Fund</b>
<b>Cash Flows From Operating Activities:</b>	
Cash Received From Wireless Carriers	\$ 76,069
Net Cash Provided (Used) By Operating Activities	76,069
<b>Cash Flows From Noncapital Financing Activities:</b>	
Transfers To Other Funds	(76,069)
<b>Cash Flows From Capital And Related Financing Activities:</b>	
Principal Paid On Capital Debt	-
Interest Paid On Capital Debt	-
Net Cash Provided (Used) By Capital And Related Financing Activities	-
Net Increase (Decrease) In Cash	-
Cash Beginning Of Year (Rounding)	-
Cash End Of Year	\$ -
<b>Reconciliation Of Operating Income (Loss) To Net Cash Provided (Used) By Operating Activities:</b>	
Operating Income (Loss)	\$ 84,307
<b>Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided (Used) By Operating Activities:</b>	
<b>Cash Flows Reported In Other Categories:</b>	
Depreciation Expense	8,912
Cell Tower Rent Credit	(17,150)
Net Cash Provided (Used) By Operating Activities	\$ 76,069

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

North Oldham Fire Protection District  
Notes To Basic Financial Statements  
June 30, 2018

**Note A – Summary Of Significant Accounting Policies**

**1. General Statement**

The North Oldham Fire Protection District (District) was incorporated under the provisions of the Commonwealth of Kentucky. The District is governed by a Board of Trustees and provides the following services as authorized by its charter: public service and public safety.

The financial statements and notes are representations of the District's management who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements. Such principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those reported.

**2. Financial Reporting Entity**

In evaluating the District as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the District may be financially accountable and, as such, should be included within the District's financial statements. The District (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the District. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on the aforementioned criteria, North Oldham Fire Protection District has no component units.

**3. Basis Of Presentation**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. Fiduciary funds are also excluded from the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

North Oldham Fire Protection District  
Notes To Basic Financial Statements  
June 30, 2018

Fund Financial Statements:

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balances of current financial resources. The District has presented the following major governmental funds:

General Fund

The General Fund is the general operating fund of the District. It is used to account for all financial resources.

Proprietary Fund Financial Statements:

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses. The following proprietary funds have been reported by the District:

Cell Tower Fund

Used to account for the activity of the District's cell tower operations. The District maintains this fund for rental income received from cell phone carriers and related capitalization and depreciation of the cell tower.

4. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements regardless of the measurement focus applied.

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

Property Taxes are the only major revenue source susceptible to accrual.

North Oldham Fire Protection District  
Notes To Basic Financial Statements  
June 30, 2018

5. Capital Assets And Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District as a whole. When purchased, such assets are recorded as expenditures in the governmental funds. However, assets are only to be capitalized in government-wide financial statements and are not to be intermingled with fund financial statements.

As is appropriate for Phase 3 Governments (governments with annual revenues less than \$10 million), and in compliance with GASB Statement No. 34 which the District adopted as of June 30, 2003, the District has elected not to report infrastructure assets in its financial statements acquired before June 30, 2002 except for those assets with cost information readily available. The valuation base for general capital assets is historical cost.

The minimum capitalization threshold is any individual item with a total cost greater than \$2,500. Depreciation of capital assets is computed and recorded by the straight-line method.

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

5. Budgets And Budgetary Accounting

The District follows these procedures in establishing budgetary data:

- A. The District Treasurer submits to the Board Of Trustees a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- B. A public hearing is conducted to obtain taxpayer comments.
- C. The budget is legally adopted by the Board Of Trustees.

**Note B – Net Position And Fund Balances**

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

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



North Oldham Fire Protection District  
Notes To Basic Financial Statements  
June 30, 2018

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

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or legally or contractually required to be maintained intact. All amounts reported as nonspendable at June 30, 2018 by the District are nonspendable in form. The District has not reported any amounts that are legally or contractually required to be maintained intact.
- Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc) or by constitutional provision or enabling legislation.
- Committed – includes amounts that can only be used for specific purposes. Committed fund balances are reported pursuant to ordinances passed by the District’s Board of Trustees, the District’s highest level of decision making authority.
- Assigned – includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balances.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. In the Construction Fund, the unassigned classification is only used to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

**Note C – Cash And Cash Equivalents And Investments**

The District maintains its deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2018, the carrying amount (book balance) of the District's deposits was \$1,092,560 and the bank balance was \$1,093,049.

The District purchased a brokered certificate of deposit on November 15, 2017 with a par value of \$243,000 and a yield of 2.15%. The value of the brokered certificate of deposit is dependent on the market. However, the full par value is recoverable if held until the maturity date of November 17, 2021 because it is fully insured by the FDIC. If not held to maturity, then the recoverable value is equal to the fair market value on the date of early withdrawal. Interest earned is transferred to a money market account with the brokerage firm on a semi-annual basis and is fully recoverable upon early withdrawal. The fair market value of the brokered certificate of deposit as of June 30, 2018 was \$236,016 and the balance of the money market account was \$2,592.

All District funds were insured or collateralized with securities held by the entity or by its agent in the entity's name.

**Interest Rate Risk**

The District does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

North Oldham Fire Protection District  
Notes To Basic Financial Statements  
June 30, 2018

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be returned. The District does not have a formal deposit policy for custodial credit risk.

**Note D – Property Taxes Receivable And Property Tax Calendar**

Property taxes receivable are recorded in the General Fund, if applicable. At the fiscal year-end, the receivables represent delinquent taxes and accrued penalties and interest. The district recognizes applicable revenue received within sixty days of fiscal year-end as receivables at fiscal year-end.

The District levies property taxes on qualifying property assessed as of October 1 each year. The Sheriff of Oldham County collects substantially all property tax revenues and remits to the District monthly its portion less applicable discounts and collection commissions.

**Note E – Capital Assets And Depreciation**

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

A summary of capital assets net of depreciation is as follows:

<b>Governmental Activities:</b>	<u>Balance</u> <u>7/1/2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/2018</u>
Capital Assets:				
Land	\$ 288,100	\$ -	\$ -	\$ 288,100
Buildings	2,768,450	-	-	2,768,450
Vehicles	2,539,574	28,357	34,073	2,533,858
Furnishings	91,674	-	-	91,674
Equipment	<u>691,193</u>	<u>38,699</u>	<u>-</u>	<u>729,892</u>
Total Capital Assets	<u>6,378,991</u>	<u>67,056</u>	<u>34,073</u>	<u>6,411,974</u>
Accumulated Depreciation:				
Land	-	-	-	-
Buildings	1,029,625	70,790	-	1,100,415
Vehicles	1,342,352	122,596	34,073	1,430,875
Furnishings	84,373	1,759	-	86,132
Equipment	<u>558,026</u>	<u>35,402</u>	<u>-</u>	<u>593,428</u>
Total Accumulated Depreciation	<u>3,014,376</u>	<u>230,547</u>	<u>34,073</u>	<u>3,210,850</u>
Total Governmental Activities Capital Assets, Net Of Accumulated Depreciation	<u>\$ 3,364,615</u>	<u>\$ (163,491)</u>	<u>\$ -</u>	<u>\$ 3,201,124</u>

North Oldham Fire Protection District  
Notes To Basic Financial Statements  
June 30, 2018

<b>Business-Type Activities:</b>	<u>Balance</u> <u>7/1/2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/2018</u>
Capital Assets:				
Cell Tower	\$ 178,250	\$ -	\$ -	\$ 178,250
Total Capital Assets	<u>178,250</u>	<u>-</u>	<u>-</u>	<u>178,250</u>
Accumulated Depreciation:				
Cell Tower	76,499	8,912	-	85,411
Total Accumulated Depreciation	<u>76,499</u>	<u>8,912</u>	<u>-</u>	<u>85,411</u>
Total Business-Type Activities Capital Assets, Net Of Accumulated Depreciation	<u>\$ 101,751</u>	<u>\$ (8,912)</u>	<u>\$ -</u>	<u>\$ 92,839</u>

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

**Note F – New Fire Station Property**

On November 1, 2004, the District finished construction on the new fire station. The District completed the construction project with a total cost of \$2,511,206. The construction of the new fire station property was funded with \$2,580,000 of general obligation refunding bonds. See below for additional information on the bond issue.

**Note G - General Obligation Refunding Bonds, Series 2012**

The original issue of General Obligation Bonds, Series 2003 was \$2,485,000 and was to mature on August 1, 2016. On March 30, 2012 the Board of Trustees enacted a resolution authorizing the issuance of \$2,580,000 in General Obligation Refunding Bonds, Series 2012 bearing interest of 1.1% to 3.3%. Payments occur on February 1 and August 1 annually through August 1, 2033. The refunding bond was issued to refinance the General Obligation Bonds, Series 2003 that is used for the Fire Station Project.

Assuming the bonds are not called prior to scheduled maturity, the minimum obligations of the District for the debt service (principal and interest) for the next 5 years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 115,000	\$ 63,495	\$ 178,495
2020	115,000	61,051	176,051
2021	120,000	58,258	178,258
2022	125,000	55,195	180,195
2023	125,000	52,070	177,070
Thereafter	<u>1,625,000</u>	<u>269,609</u>	<u>1,894,609</u>
	<u>\$ 2,225,000</u>	<u>\$ 559,678</u>	<u>\$ 2,784,678</u>

North Oldham Fire Protection District  
Notes To Basic Financial Statements  
June 30, 2018

**Note H – Accrued Compensated Absences**

The District offers paid leave to full-time employees which is accrued based on the terms outlined in the Employee Handbook. Any unused, accrued paid leave at termination of employment is paid out at \$0.50 per \$1 and is capped at 200 hours. The liability presented on the financial statements represents the balance of unpaid leave as of fiscal year-end.

**Note I – 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(1c) 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 5% for all participating employees. The amount of the District's matching contribution for the year ended June 30, 2018 was \$21,663.

**Note J – Risk Management**

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, etc. The District has commercial insurance to cover the risks of these losses. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage.

**Note K – Restatement of Beginning Net Position Related To Fiscal Year Ending June 30, 2017**

Beginning net position for the government-wide, general fund and proprietary fund financial statements as of June 30, 2017 has been restated as set forth below.

On November 28, 2008, T-Mobile finished construction of a cell tower in the amount of \$178,250 on the District's property and sold the asset to the District in exchange for monthly cell tower rent credits until paid in full. As a result, the cell tower and related debt and depreciation was omitted from the government-wide and proprietary fund financial statements. The cell tower was paid in full as of May 2018. The restatement of beginning net position recorded the capital asset, net of depreciation and the cell tower rent credits as revenue.

Depreciation expense related to a piece of equipment purchased on February 10, 2017 was omitted during the prior year. The restatement of beginning net position recorded \$1,303 of depreciation expense.

North Oldham Fire Protection District  
Notes To Basic Financial Statements  
June 30, 2018

Bond issuance costs related to the General Obligation Refunding Bonds, Series 2012 totaled \$51,600 on March 30, 2012 and was recorded as an asset to be amortized over the life of the bond. GASB No. 65, *Items Previously Reported as Assets and Liabilities* states that debt issuance costs should now be fully expensed when incurred. The restatement of beginning net position corrected bond issuance costs to be fully expensed.

The balance of accrued compensated absences during the prior year was stated at full value. GASB No. 16, *Accounting for Compensated Absences* states that the liability should be calculated based on maximum payout allowed upon termination of employment. According to the District’s employee handbook, unused, accrued paid leave at termination of employment is paid out at \$0.50 per \$1. The restatement of beginning net position reduced the prior year balance of accrued compensated absences from \$27,706 to \$13,853.

Net position of the various funds has been restated as follows:

	<u>Government-Wide</u>	<u>General Fund</u>	<u>Proprietary Fund</u>
Net Position As Originally Reported	\$ 2,166,942	\$ 1,093,145	\$ -
Net Change For Cell Tower	84,601	-	84,601
Net Change For Depreciation Expense	(1,302)	-	-
Net Change For Bond Issuance Costs	(42,880)	-	-
Net Change For Accrued Compensated Absences	<u>13,852</u>	<u>13,852</u>	<u>-</u>
Adjusted Balance As Of June 30, 2017	<u>\$ 2,221,213</u>	<u>\$ 1,106,997</u>	<u>\$ 84,601</u>

**Note L – Subsequent Events**

District management has evaluated subsequent events through December 13, 2018, which is the date the financial statements were available to be issued, and have determined that no subsequent events require reporting.

North Oldham Fire Protection District  
Required Supplementary Information  
Governmental Funds  
Statement Of Revenues, Expenditures And Changes In Fund Balances  
Budget And Actual  
For The Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property Taxes	1,400,000	1,400,000	1,471,996	71,996
Grants	19,000	19,000	19,000	-
Rental Income	1,800	1,800	1,800	-
Other Income	-	-	5,810	5,810
Interest Income	1,000	1,000	5,473	4,473
Unrealized (Loss) on Brokered Certificate of Deposit	-	-	(6,984)	(6,984)
Total Revenues	<u>1,421,800</u>	<u>1,421,800</u>	<u>1,497,095</u>	<u>75,295</u>
<b>Expenditures:</b>				
General Government	1,118,572	1,118,572	1,043,773	74,799
Repairs And Maintenance	83,200	83,200	110,256	(27,056)
Insurance	40,500	40,500	32,947	7,553
Capital Outlay	76,500	76,500	67,056	9,444
Total Expenditures	<u>1,318,772</u>	<u>1,318,772</u>	<u>1,254,032</u>	<u>64,740</u>
<b>Excess (Deficiency) Of Revenues Over Expenditures</b>	<u>103,028</u>	<u>103,028</u>	<u>243,063</u>	<u>140,035</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	-	76,069	76,069
Transfers Out	-	-	-	-
Repayment Of Debt	(110,000)	(110,000)	(110,000)	-
Total Other Financing Sources (Uses)	<u>(110,000)</u>	<u>(110,000)</u>	<u>(33,931)</u>	<u>76,069</u>
<b>Excess (Deficiency) Of Revenues And Other Sources Over Expenditures And Other Uses</b>	<u>\$ (6,972)</u>	<u>\$ (6,972)</u>	<u>209,132</u>	<u>\$ 216,104</u>
<b>Fund Balance At Beginning Of Year</b>			<u>1,106,997</u>	
<b>Fund Balance At End Of Year</b>			<u>\$ 1,316,129</u>	

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



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To The Board Of Trustees  
North Oldham Fire Protection District, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund of the North Oldham Fire Protection District (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 13, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider deficiencies 2018-2 and 2018-3 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider deficiency 2018-1 described in the accompany schedule of findings to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **North Oldham Fire Protection District's Response to Findings**

North Oldham Fire Protection District, Kentucky's response to the findings identified in our audit is described in the accompanying schedule of findings. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kelly King & Co.*

Kelly King & Co.

Crestwood, Kentucky

December 13, 2018



North Oldham Fire Protection District  
Schedule Of Findings And Responses  
June 30, 2018

**Finding:**

**2018-1**

The North Oldham Fire Protection District (District) is required to have internal controls in place that enable it to prepare complete financial statements, including note disclosures, in compliance with generally accepted accounting principles.

The District lacks personnel with the expertise to apply generally accepted accounting principles in preparing its financial statements including note disclosures and thus, does not have the internal control procedures required to take responsibility for the financial statement in conformity with generally accepted accounting principles.

Management engaged the auditor to prepare draft financial statements, including the related notes to the financial statement. Management reviewed, approved and accepted responsibility for the financial statements as prepared by the auditor for compliance with generally accepted accounting principles.

We recommend management review the costs and benefits involved to retain a consultant with the required expertise to prepare the financial statements or review the financial statements as prepared by the auditor for compliance with generally accepted accounting principles.

**Response:**

Management has determined that it is more cost effective to continue to engage the auditor to draft the financial statements and related notes.

**Finding:**

**2018-2**

The District is required to have internal controls in place that enable it to apply generally accepted accounting principles to its transactions. Specifically, this includes payments on behalf of the District, accounting for property taxes and year-end accrual transactions.

The District executes basic and routine transactions throughout the year; however, the District does not apply generally accepted accounting principles to certain non-routine transactions recorded during the year and in making its year-end accruals.

Management relied on the auditor's year-end adjustments to bring the District's accounting records into compliance with generally accepted accounting principles. Management reviewed, approved and accepted responsibility for the adjusting journal entries prior to the issuance of the financial statements.

We recommend management review the costs and benefits involved to retain a consultant with the required expertise to advise the District during the year concerning non-routine transactions and to assist the District with its year-end close so that the District's accounting records will be in compliance with generally accepted accounting principles.

North Oldham Fire Protection District  
Schedule Of Findings And Responses  
June 30, 2018

**Response:**

Management has determined that it is the more cost effective to continue to rely on the auditor's adjustments to bring the District's accounting records into compliance with generally accepted accounting principles.

**Finding:**

**2018-3**

The District is required to have appropriate internal controls in place to provide for segregation of duties over its financial reporting. A fundamental concept is that no employee should have access to all phases of a transaction.

Appropriate segregation of duties is affected by limited personnel.

We recommend management continue to develop procedures to monitor the financial activities where personnel are limited.

**Response:**

Management will continue to monitor procedures currently in place and determine if any additional procedures should be implemented.