

**CONCORD FIRE
PROTECTION DISTRICT, INC.**

**FINANCIAL STATEMENTS
With Independent Auditor's Report**

June 30, 2013

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORT ON FINANCIAL STATEMENTS	1-2
FINANCIAL STATEMENTS	
Statement of Net Position – Modified Cash Basis.....	3
Statement of Activities – Modified Cash Basis	4
Notes to Financial Statements	5-6
SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenses, and Changes in Net Position – Modified Cash Basis	8
Independent Auditors Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	9-10
Schedule of Findings and Responses.....	11
Summary Schedule of Prior Findings and Responses	12



INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Members of the Board
Concord Fire Protection District, Inc.
2731 Olivet Church RD
Paducah, Kentucky 42001

Report on the Financial Statements

We have audited the accompanying financial statements of the Concord Fire Protection District, Inc. as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 error or fraud.

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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities of the Concord Fire Protection District, Inc., as of June 30, 2013, and the respective changes in financial position – modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note A.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than the accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Concord Fire Protection District, Inc.'s basic financial statements. The budgetary comparison information on page 8, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Matters

Other Information

Management has omitted the management's discussion and analysis required 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 January 10, 2014, on our consideration of the Concord Fire Protection District, Inc.'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 Concord Fire Protection District, Inc.'s internal control over financial reporting and compliance.

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Certified Public Accountants and Consultants
Paducah, Kentucky
January 10, 2014

CONCORD FIRE PROTECTION DISTRICT, INC.
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
June 30, 2013

ASSETS

Money Market Demand Deposit Account

\$ 297,555

LIABILITIES

Payroll Liabilities

1,782

NET POSITION

Net Position, Unrestricted

\$ 295,773

The notes to financial statements are an integral part of this statement.

CONCORD FIRE PROTECTION DISTRICT, INC.
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
For the Year Ended June 30, 2013

TAX REVENUES COLLECTED

Real, personal property and franchise taxes	\$ 264,606
Motor vehicle taxes	43,925
Total Local Tax Revenues	308,531
Kentucky Revenue Cabinet distribution of inter-county property tax collections, and omitted and delinquent motor vehicle tax allocation	9,793
Total Tax Revenues Collected	318,324

OTHER REVENUE

State Aid	8,250
Kentucky Incentive Pay	3,100
Other Income	6,322
Total Other Revenues	17,672

TOTAL REVENUES COLLECTED

335,996

EXPENSES PAID

Salaries	50,000
Employee Benefits	7,000
KY Incentive Pay	3,100
Payroll Taxes	4,554
Advertising	710
Utilities & Telephone	15,992
Auto Expense	6,540
Repairs & Maintenance	51,361
Miscellaneous	688
Insurance	25,889
Professional Fees	3,900
Meals & Entertainment	6,729
Training	10,343
Office Expense	7,215
Uniforms	10,245
Supplies	20,919
Land, Equipment, and Building	84,279

TOTAL EXPENSES PAID

309,464

CHANGE IN NET POSITION

26,532

NET POSITION, BEGINNING OF YEAR

269,241

NET POSITION, END OF YEAR

\$ 295,773

The notes to financial statements are an integral part of this statement.

**CONCORD FIRE PROTECTION DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Entity

Concord Fire Protection District, Inc., Inc., an existing company, was incorporated in the State of Kentucky in 1997. This District is committed to the protection of the public in the Concord Fire District from the dangers of fires and other emergencies. The District is governed by a board of trustees which is comprised of three individual appointed by the McCracken County Fiscal Court, two elected individuals elected by the individuals who live in the Concord Fire District, and two elected firefighters elected by the firefighters of Concord Fire Protection District. The District has one full time employee who is employed as the Fire Chief and approximately 25-30 volunteer firefighters.

Basis of Accounting

The records of Concord Fire Protection District, Inc. are maintained on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The modified cash basis substantially differs from generally accepted accounting principles. Generally accepted accounting principles require all assets and liabilities be reflected in the statement of net position while the modified cash basis used by the District only reflects cash and payroll tax liabilities. In addition, the effects of outstanding property tax allocations and unpaid obligations at the date of the financial statements are not included in the financial statements under the modified cash basis, but would be reported under generally accepted accounting principles.

Property and Equipment Group Accounts

Under the modified cash basis of accounting, general fixed assets are recorded as expenditures when purchased and depreciation is not recorded.

Tax rates are set by the Board of Trustees in accordance with KRS Chapter 75. The county clerk shall add the levy to the tax bills of the affected property owners. Tax revenues are collected by the county clerk, county sheriff, and the Kentucky Revenue Cabinet.

A budget is prepared and approved by the Board for the fiscal year. The budget shall classify budget units in the same fashion as county budgets are classified in accordance with KRS 68.210(2) to (5). The approved budgets are sent to the county clerk for distribution to district officers.

NOTE B - DEPOSITS WITH FINANCIAL INSTITUTIONS

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. The District's investment policy requires all investments be made in accordance with applicable legal requirements and in consideration of investment safety.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Investing is performed in accordance with investment policies adopted by the governing board and KRS 212.480.

During the year ended June 30, 2013, the District's only investment was a money market demand deposit account. At year end, the carrying amount and the bank balance of the District's cash was \$297,555 and \$308,130, respectively. As of June 30, 2013, the District's bank balance was exposed to custodial credit risk as follows:

**CONCORD FIRE PROTECTION DISTRICT, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE B - DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

	2013
Balance covered by FDIC Insurance	\$ 250,000
Collateral held by pledging financial institutions' trust department in the District's name	47,555
Uninsured and uncollateralized	-
Total	<u>\$ 297,555</u>

NOTE C – CONCENTRATIONS OF RISK

Substantially all of the District's tax money is received from taxpayers in McCracken County. Consequently, the District's financial performance and ability to collect amounts due from this group is affected by economic fluctuations within this geographic area.

NOTE D – CONTINGENCY

The District provides workman's compensation insurance coverage for its sole employee through Kentucky Employers' Mutual Insurance (KEMI) which is a multi-employer risk sharing insurance pool arrangement. The provisions of this arrangement may require the District to incur additional future cost based on KEMI claims experience for all KEMI participating employers and KEMI financial results. Such costs, applicable to current or prior years, which are allocated to all KEMI employers might be incurred in the future even if the District subsequently purchased workman's compensation coverage through traditional insurance.

NOTE E – SUBSEQUENT EVENTS

Subsequent to year end the Concord Fire Protection District, Inc. has entered into a lease purchase agreement for a new fire station on Enterprise Drive once the construction of the building has been completed. The terms of the lease state that upon construction completion the District can lease the property for \$8,000 per month for three years with the option of purchasing the property for \$1,050,000 during this time and having 20% of the total lease payments be applied to the purchase price. The lease also states that the lessor may compel the District to purchase the property at the end of the lease. The new fire station will help the District to better serve the people living in the Concord Fire District.

Subsequent to year end the Board of Trustee's determined the District should not be incorporated and started the process to dissolve the Concord Fire Protection District, Inc. The District will not be incorporated in future years.

Subsequent events were evaluated through January 10, 2014, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

CONCORD FIRE PROTECTION DISTRICT, INC.
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – MODIFIED CASH BASIS
BUDGET TO ACTUAL
For the Year Ended June 30, 2013

	Original and Final Budget	Actual	VARIANCE FAVORABLE (UNFAVORABLE)
TAX REVENUES COLLECTED			
Real, personal property and franchise taxes	\$ 265,700	\$ 264,606	\$ (1,094)
Motor vehicle taxes	38,100	43,925	5,825
Total Local Tax Revenues	<u>303,800</u>	<u>308,531</u>	<u>4,731</u>
Kentucky Revenue Cabinet distribution of inter-county property tax collections, and omitted and delinquent motor vehicle tax allocation	8,200	9,793	1,593
Total Tax Revenues Collected	<u>312,000</u>	<u>318,324</u>	<u>6,324</u>
OTHER REVENUE			
State Aid	8,000	8,250	250
Kentucky Incentive Pay	3,200	3,100	(100)
Other Income	8,200	6,322	(1,878)
Total Other Revenue	<u>19,400</u>	<u>17,672</u>	<u>(1,728)</u>
TOTAL REVENUES COLLECTED	<u>331,400</u>	<u>335,996</u>	<u>4,596</u>
EXPENSES PAID			
Salaries	56,600	50,000	6,600
Employee Benefits	8,200	7,000	1,200
KY Incentive Pay	-	3,100	(3,100)
Payroll Taxes	-	4,554	(4,554)
Advertising	-	710	(710)
Utilities & Telephone	13,400	15,992	(2,592)
Auto Expense	5,500	6,540	(1,040)
Repairs & Maintenance	40,700	51,361	(10,661)
Miscellaneous	200	688	(488)
Insurance	25,200	25,889	(689)
Professional Fees	5,200	3,900	1,300
Meals & Entertainment	7,700	6,729	971
Training	16,300	10,343	5,957
Office Expense	12,900	7,215	5,685
Uniforms	25,800	10,245	15,555
Supplies	16,100	20,919	(4,819)
Land, Equipment, and Building	125,000	84,279	40,721
TOTAL EXPENSES PAID	<u>358,800</u>	<u>309,464</u>	<u>49,336</u>
CHANGE IN NET POSITION	(27,400)	26,532	53,932
NET POSITION, BEGINNING OF YEAR	<u>269,241</u>	<u>269,241</u>	<u>-</u>
NET POSITION, END OF YEAR	<u>\$ 241,841</u>	<u>\$ 295,773</u>	<u>\$ 53,932</u>



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*

Members of the Board
Concord Fire Protection District, Inc.
2731 Olivet Church RD
Paducah, Kentucky 42001

We have audited, 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, the financial statements of the Concord Fire Protection District, Inc. as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Concord Fire Protection District, Inc.'s basic financial statements and have issued our report thereon dated January 10, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Concord Fire Protection District, Inc.'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 Concord Fire Protection District, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Concord Fire Protection District, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies and these are identified in that as items number 2013-1, 2013-2, and 2013-3.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Concord Fire Protection District, Inc.'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*.

Concord Fire Protection District, Inc.'s Response to Findings

Concord Fire Protection District, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Concord Fire Protection District, Inc.'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.

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Certified Public Accountants and Consultants
Paducah, Kentucky
January 10, 2014

**CONCORD FIRE PROTECTION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2013**

Reference # 2013-1

Condition: During our inquiries over internal control and related testing we noted the District does not have proper segregation of duties.

Criteria: The accounting firm performing the bookkeeping duties has access to authorize electronic fund transfers (EFT) from the Districts bank account as well as recording transactions in the general ledger.

Cause: Lack of segregation of duties.

Effect: Fund transfers from the District's bank account could be made without being authorized by the District.

Recommendation: We recommend a District trustee approve all EFT's to help reduce the risk of unauthorized transfers from happening.

Response: The Board of Trustees will review and determine what action can be taken to improve the condition.

Reference # 2013-2

Condition: The exact structure and legal standing of the entity needs to be formally resolved. Review of permanent file documents indicated the entity is a non-profit corporation. However, inquiries of management and one director indicated the corporate status had been dissolved in 2013. In addition, 2013 board minutes seemed to support this position. However, subsequent to those Board minutes, the corporation filed an additional annual report with the Kentucky Secretary of State and the Secretary of State presently shows the "corporation" in good standing on its website.

Criteria: Actual legal status of the entity is extremely important.

Cause: The exact cause of this matter is unknown.

Effect: The exact effect positive or negative is unknown, but could possibly impact tax matters, insurance, or future litigation.

Recommendation: We recommend the Districts' legal counsel make a formal determination of proper legal status/structure of the entity and this be documented in permanent records of the entity with consistent application of such status/structure in the future.

Response: The Board of Trustees will ensure that Concord Fire Protection District become officially unincorporated.

Reference # 2013-3

Condition: The Fire Chief presently opens mail, prepares deposit slips, makes deposits, approves bills for payment, and classifies transactions.

Criteria: In a proper system of internal controls the same individual would not initiate transactions and either record the transactions or control funds related to such transactions.

Cause: Lack of segregation of duties due to limited number of personnel.

Effect: Funds could be deposited into another account and unauthorized invoices could be paid without the Board's knowledge.

Recommendation: The District should eliminate lack of segregation of duties where possible weighing cost versus benefits.

Response: The Board of Trustees will review and determine what action can be taken to improve the condition.

**CONCORD FIRE PROTECTION DISTRICT
SUMMARY SCHEDULE OF PRIOR FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2013**

There were no prior findings and responses due to the fact that the Concord Fire Protection District, Inc. was not required to have an audit conducted in the prior year.