

CRESCENT-VILLA FIRE AUTHORITY

Financial Statements

Year Ended June 30, 2019

CRESCENT-VILLA FIRE AUTHORITY

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2019

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CRESCENT-VILLA FIRE AUTHORITY

LIST OF PRINCIPAL OFFICIALS

Year Ended June 30, 2019

Board of Directors

Scott Ringo, Chairman

Vince Albanese

Rod Baehner

George Bruns

Sue Cassidy

Mike Daugherty

Paul Morgan

Other Officers

Jim Cahill, Treasurer

Patty Grimes, Secretary

Fire Department Representation

Jeff Wendt, Fire Chief

Gary Foltz, Assistant Chief

Randy Childress, Advanced Life Support Director

Of Counsel

Steve Martin, Attorney

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INDEPENDENT AUDITOR'S REPORT

**To the Chairman and Board Members
Crescent-Villa Fire Authority**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund of the Crescent-Villa Fire Authority, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Crescent-Villa Fire Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Crescent-Villa Fire Authority, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2019, on our consideration of the Crescent-Villa Fire Authority'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 solely 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 effectiveness of the Crescent-Villa Fire Authority's 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 Crescent-Villa Fire Authority's internal control over financial reporting and compliance.

RANKIN, RANKIN, & COMPANY

**Ft. Wright, Kentucky
September 6, 2019**

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Crescent-Villa Fire Authority's financial performance provides an overview of the Fire Authority's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the Fire Authority's basic financial statements, which are on pages 12 through 15.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Fire Authority as a whole and present a view of the Fire Authority's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Fire Authority's operations in more detail than the government-wide statements by providing information about the Fire Authority's most financially significant funds.

Financial Highlights

- The ending cash balance for the Fire Authority was \$35,757
- Expenditures exceeded revenues by \$177,625, primarily because there was a purchase of an ambulance in FY 2019
- The 2013 ambulance vehicle loan was paid off in the 2019 fiscal year.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Fire Authority's basic financial statements. The Fire Authority's basic financial statements comprise three components: 1) government –wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Fire Authority's finances, in a manner similar to private-sector business.

The statement of net position presents information on all of the Fire Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Fire Authority is improving or deteriorating.

The statement of activities presents information showing how much the Fire Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are

reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the Fire Authority that are principally supported by intergovernmental revenues (governmental activities). The governmental activity of the Fire Authority is primarily police safety. Fixed assets are also supported by intergovernmental revenues.

Reporting the Fire Authority's Most Significant Funds

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide detailed information about the most significant funds. The Board establishes funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain grants and other money. The Fire Authority has one main set of funds-governmental.

- **Governmental funds** – All of the Fire Authority's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. 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 modified accrual basis allows certain revenues to be recognized before actually received. However, some revenues are undeterminable in nature, therefore cannot be recognized until actually received. The governmental fund statements provide a detailed short-term view of the Fire Authority's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Fire Authority's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the adjustments columns of the financial statements.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16 through 22 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Fire Authority, assets exceeded liabilities by \$950,349 as of June 30, 2019.

A large portion of the Fire Authority's net assets reflects its investment in capital assets (e.g., fire trucks, ambulances, radio equipment, and other equipment) with related debt.

These capital assets are used to provide services to citizens, and consequently, are not available for future spending.

The Fire Authority's financial position is the product of several financial transactions including the net results of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position for the period ending June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Current assets	\$ 81,086	\$ 293,704
Capital assets, net of accumulated depreciation	<u>1,213,646</u>	<u>1,179,099</u>
Total assets	<u>1,294,732</u>	<u>1,472,803</u>
Long-term liabilities	311,112	311,112
Other liabilities	<u>33,272</u>	<u>140,115</u>
Total liabilities	<u>344,384</u>	<u>451,227</u>
Net position		
Investment in capital assets	1,213,646	796,136
Unrestricted	<u>(263,297)</u>	<u>225,440</u>
Total Net Position	<u>\$ 950,349</u>	<u>\$ 1,021,576</u>

At the end of the current fiscal year, the Fire Authority is able to report a positive balance in net position. The same held true for the prior fiscal year.

Governmental Activities

The following represents a summary of the Fire Authority's revenues and expenses for the fiscal years ended June 30, 2019 and 2018.

	2019	2018
Revenues:		
Intergovernmental	\$ 828,150	\$ 818,330
Grants	11,000	13,700
Charges for services	234,232	241,518
Interest Income	148	329
Gain on disposal of assets	22,111	-
Miscellaneous income	1,000	-
Total revenues	<u>1,096,641</u>	<u>1,073,877</u>
Expenditures:		
Public Safety	945,407	911,792
Capital outlay	245,608	44,870
Debt Service		
Principal	72,113	49,909
Interest	<u>11,138</u>	<u>13,348</u>
Total Expenditures	<u>1,274,266</u>	<u>1,019,919</u>
Excess of revenues over expenditures	(177,625)	53,958
Fund Balance, beginning	<u>225,440</u>	<u>171,482</u>
Fund Balance, ending	<u>\$ 47,815</u>	<u>\$ 225,440</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Crescent-Villa Fire Authority was created by an interlocal agreement between Villa Hills and Crescent Springs and those two cities continue to provide roughly 77% of the Authority's operating funding. The remainder comes from a service contract with the City of Bromley (signed in 2016) for basic life support and advanced life support, non-contractual relationships with unincorporated businesses and residential customers in the service area and miscellaneous grants.

A budget is presented to Villa Hills and Crescent Springs very early in every calendar year. When the CVFA budget is approved by these funding sources, the billing rate is set for both communities based on that budget. The contract with the City of Bromley allows that same increase to be passed onto that City. This process has been completed for the fiscal year 2019-2020 with a 12% increase.

The unincorporated areas of Kenton County in our service district but outside of the three participating Cities are billed by Kenton County on the normal annual property tax bills. This change was effective with the tax bills mailed in 2017.

The final portion of funding is generated by billing for EMT services rendered to customers outside of our service area. Our billing rates for these services are controlled by the federal government and the insurance carriers.

Costs are increasing for the Authority both in payroll expense and for the medications required to be carried on the ambulances. Additionally, as of June 30, 2019, the

Authority increased the budget to add paramedic staff to allow for both ambulances to have a paramedic onboard 24 hours per day, 7 days per week.

As of December 31, 2019 the Authority will no longer service the Bromley area. They have terminated their contract with the Authority. The Authority has offered Bromley a per-run contract for the period starting January 1, 2020.

CONTACTING THE FIRE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Fire Authority's finances and to show the Fire Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Fire Authority's Office at the 777 Overlook Drive, Crescent Springs, KY 41017.

CRESCENT-VILLA FIRE AUTHORITY**Statement of Net Position****June 30, 2019**

	Primary Governmental Activities
ASSETS	
Current assets	
Cash	\$ 35,757
Accounts receivable	30,497
Prepaid Expenses	14,832
Capital assets, net of accumulated depreciation	1,213,646
Total assets	1,294,732
LIABILITIES	
Current liabilities	
Accounts payable	\$ 7,491
Accrued payroll expenses	25,780
Other accrued expenses	-
Total current liabilities	33,271
Notes payable	
Due within one year	37,480
Due in more than one year	273,632
Total notes payable	311,112
Total liabilities	344,383
NET POSITION:	
Invested in capital assets	1,213,646
Unrestricted	(263,297)
Total net position	\$ 950,349
See accompanying notes to the financial statements.	

CRESCENT-VILLA FIRE AUTHORITY**Statement of Activities**

Year Ended June 30, 2019

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Public Safety	\$ 945,407	\$ 1,062,382	\$ 11,000	\$ -	\$ 127,975
Depreciation	177,425	-	-	-	(177,425)
Interest on Long Term Debt	11,400	-	-	-	(11,400)
Total	1,134,232	1,062,382	11,000	-	(60,850)
General revenues					
					1,000
					(11,525)
					148
					(10,377)
					(71,227)
					1,021,576
					\$ 950,349

See accompanying notes to the financial statements.

CRESCENT-VILLA FIRE AUTHORITY**Balance Sheet****Governmental Funds**

June 30, 2019

	Total Governmental Funds
ASSETS	
Current assets	
Cash	\$ 35,757
Accounts receivable	30,497
Prepaid expenses	14,832
Total assets	<u>\$ 81,086</u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 7,491
Accrued payroll expenses	25,780
Other accrued expenses	-
Total current liabilities	<u>33,271</u>
FUND BALANCES	
Unassigned	<u>47,815</u>
Total fund balances	<u>47,815</u>
Total liabilities and fund balances	<u>\$ 81,086</u>
 Total governmental fund balances	 \$ 47,815
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,213,646
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds:	
Notes payable-principal	<u>(311,112)</u>
Net position of governmental activities.	<u>\$ 950,349</u>

See accompanying notes to the financial statements.

CRESCENT-VILLA FIRE AUTHORITY**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds****Year Ended June 30, 2019**

	Total Governmental Funds
Revenues:	
Intergovernmental revenues	
City of Crescent Springs	\$ 318,812
City of Villa Hills	478,219
City of Bromley	31,119
Charges for services	234,232
Grants	11,000
Interest income	148
Sale of equipment	22,111
Miscellaneous income	1,000
Total revenues	<u>1,096,641</u>
Expenditures:	
Public safety	945,407
Capital Outlay	245,608
Debt service:	
Principal	72,113
Interest	11,138
Total Expenditures	<u>1,274,266</u>
Excess of revenues over (under) expenditures	(177,625)
Fund Balance	
Beginning of the year	225,440
End of the year	<u>\$ 47,815</u>
Reconciliation to government-wide changes in net position:	
Net change in fund balances	\$ (177,625)
Capital outlay expenditures capitalized	245,608
Depreciation on governmental activities assets	(177,425)
Adjustment for sale of asset	(33,636)
Payment of debt	71,851
Change in net position of governmental activities	<u>\$ (71,227)</u>
See accompanying notes to the financial statements.	

CRESCENT-VILLA FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE A – THE ENTITY

The Crescent-Villa Fire Authority was created by an intergovernmental cooperative agreement between the City of Crescent Springs, Kentucky and the City of Villa Hills, Kentucky. The Fire Authority was initially created to provide fire protection and assistance to the citizens of the jurisdictional areas of the appropriate cities. The basic operations of the Fire Authority are financed through contributions by the cities of Crescent Springs and Villa Hills, Kentucky and other revenues for services rendered. In the Statements of Revenues, Expenditures and Changes in Fund Balances, these operations are reflected in the General Fund.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Fire Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Fire Authority's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, including Statement No. 34, Basic Financial Statements. The following is a summary of significant accounting policies.

Date of Management's Review

Subsequent events were evaluated through September 6, 2019, which is the date the financial statements were available to be issued.

Financial Reporting Entity

The Crescent-Villa Fire Authority is a governmental unit governed by a seven member board of directors, of which three are appointed by the Mayor of Crescent Springs and four are appointed by the Mayor of Villa Hills. As required by generally accepted accounting principles, these financial statements present the general government.

Government-wide Financial Statements

Government-wide financial statements (i.e., the statement of net position and the statement of net changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The Fire Authority has no business-type activities or blended or discretely presented component units.

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

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts

CRESCENT-VILLA FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

The government reports the following funds of the financial reporting entity: The general fund is the government's primary operating fund. It accounts for all financial resources of the general government.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, related of the cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Assets, liabilities and net position or equity

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date within one year of the date acquired.

The Fire Authority is authorized by state statute to invest in:

1. Obligations of the United States and of its agencies and instrumentalities;
2. Obligations and contracts for future delivery or purchases of obligations backed by the full faith and credit of the United States or a United States government agency.
3. Obligations of any corporation of the United States government.
4. Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligation permitted by Section 41.240(4) of the Kentucky Revised Statutes.
5. Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of these highest categories by a nationally recognized rating agency.
6. Bankers' acceptances for banks rated in one of the highest categories by a nationally recognized rating agency.

CRESCENT-VILLA FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

7. Commercial paper rated in the highest category by a nationally recognized rating agency.
8. Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;
9. Securities issued by a state or local government or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency.
10. Shares of mutual funds, each of which shall have the following characteristics:
 - a) The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
 - b) The management company of the investment company shall have been in operation for at least five (5) years; and
 - c) All of the securities in the mutual fund shall be eligible investments under this section.

Capital Assets

Capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The range of lives used for depreciation purposes for each capital asset class are as follows:

Equipment	3-5 years
Improvements	10 years
Vehicles	7-20 years

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

CRESCENT-VILLA FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Fund Equity

In the fund financial statements, government funds report components of fund balance for amounts that are nonspendable, restricted, assigned or unassigned. Nonspendable fund balances arise when resources cannot be spent because of their form and because resources must be maintained intact. Restricted fund balances arise when constraints placed on the use of resources are either externally imposed or imposed by law. Assigned fund balances are those that are constrained by the government's intent to be used for specific purposes, but are neither restricted or committed. Unassigned fund balance is the residual classification for the General Fund. The classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund.

Required Supplementary Information Budgetary Policies

All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedules present actual expenditures in accordance with the accounting principles generally accepted in the U.S. on a basis consistent with the legally adopted budgets.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could differ from those estimates.

Restricted Revenues

When there are restricted and unrestricted revenues in a program, the City's policy is the restricted revenues are expended first.

NOTE C – DEPOSITS

As of June 30, 2019, the Fire Authority held no investments.

Custodial credit risk – deposits. For deposits, this is the risk that in the event of bank failure, the Fire Authority's deposits will not be returned. The Fire Authority maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with the FDIC insurance at least equal to the amount of deposit at all times. As of June 30, 2019, the Fire Authority's deposits are entirely insured and/or collateralized with securities held by the financial institutions on their behalf and the FDIC insurance.

CRESCENT-VILLA FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE D – CAPITAL ASSETS AND DEPRECIATION

The following is a summary of changes in capital assets for the year ended June 30, 2019.

	June 30, 2018	Additions	Retirements	June 30, 2019
Capital Assets:				
Equipment	\$ 944,529	\$ -	\$ -	\$ 944,529
Improvements	38,571	-	-	38,571
Vehicles	<u>2,347,152</u>	<u>245,608</u>	<u>(126,134)</u>	<u>2,466,626</u>
Subtotal	<u>3,330,252</u>	<u>245,608</u>	<u>(126,134)</u>	<u>3,449,726</u>
Accumulated Depreciation:				
Equipment	888,874	45,984	-	934,858
Improvements	29,292	2,792	-	32,084
Vehicles	<u>1,232,987</u>	<u>128,649</u>	<u>(92,498)</u>	<u>1,269,138</u>
Subtotal	<u>2,151,153</u>	<u>177,425</u>	<u>(92,498)</u>	<u>2,236,080</u>
Net Capital Assets	<u>1,179,099</u>	<u>68,183</u>	<u>(33,636)</u>	<u>1,213,646</u>

Depreciation was charged to functions as follows:

Governmental Activities:

Public Safety	\$ <u>177,425</u>
Total governmental activities depreciation expense	\$ <u>177,425</u>

NOTE E – LONG TERM DEBT

Typhoon Truck Loan

In June 2016, the Fire Authority entered into a loan agreement for the acquisition of a Typhoon Pumper Truck. The original loan amount on the truck was \$300,000. The vehicle being financed provides the collateral for the loan. The loan bears interest at 2.9% and the final payment is due June 2026. The loan is amortized over 15 years with a balloon payment due in 10 years on the final payment date. The remaining payments are as follows:

CRESCENT-VILLA FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Year Ended June 30,	Principal	Interest	Total
2020	\$ 16,093	\$ 8,662	\$ 24,755
2021	16,665	8,090	24,755
2022	17,258	7,497	24,755
2023	17,872	6,883	24,755
2024	18,508	6,247	24,755
2025 to 2026	168,417	10,496	178,913
	<u>\$ 254,813</u>	<u>\$ 47,875</u>	<u>\$ 302,688</u>

Pumper and Rescue Vehicle Loan

In December 2011, the Fire Authority entered into a loan agreement for the acquisition of a combined pumper and rescue vehicle. The total cost of the vehicle was \$480,366, with a loan component of \$200,000. The vehicle being financed provides the collateral for the loan. The loan bears interest at 2.4% and the final payment is due January 2022. The remaining payments are as follows:

Year Ended June 30,	Principal	Interest	Total
2020	\$ 21,387	\$ 1,098	\$ 22,485
2021	23,746	588	24,334
2022	11,166	103	11,269
	<u>\$ 56,299</u>	<u>\$ 1,789</u>	<u>\$ 58,088</u>

Ambulance Vehicle Loan

In October 2013, the Fire Authority entered into a loan agreement for the acquisition of an Ambulance. The total cost of the vehicle was \$189,066, with a loan amount of \$100,000. The vehicle being financed provides the collateral for the loan. The loan bears interest at a variable rate of 3.25% and the final payment was due September 2018. The loan was amortized over 5 years with a balloon payment due on the final payment date. The loan was paid off in the current fiscal year.

Changes in General Long-Term Liabilities

During the year ended June 30, 2019, the following changes occurred in liabilities reported in the general long-term debt account group:

CRESCENT-VILLA FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

	June 30, 2018	Additions	Retirements	June 30, 2019	Amounts Due Within 1 Year
Typhoon Truck	\$ 270,353	\$ -	\$ 15,540	\$ 254,813	\$ 16,093
Pumper & Rescue	77,188	-	20,889	56,299	21,387
Ambulance	35,422	262	35,684	-	-
	<u>\$ 382,963</u>	<u>\$ 262</u>	<u>\$ 72,113</u>	<u>\$ 311,112</u>	<u>\$ 37,480</u>

NOTE F – CREDIT RISK/ECONOMIC DEPENDENCY

The Fire Authority provides fire protection to residents and businesses within the Kentucky cities of Crescent Springs and Villa Hills and, more recently Bromley. The Fire Authority also contracts with seven businesses and thirty five individual residences that are outside of the Cities' jurisdiction to provide fire protection. The Fire Authority receives approximately 73.3% of its funding from Crescent Springs and Villa Hills based on actual 2018-2019 total revenues.

NOTE G-CONTINGENT LIABILITIES

The Fire Authority had a lawsuit against them which was been settled as of May 2, 2019. The agreed upon amount to settle the lawsuit was paid by their insurance carrier. There are no other current lawsuits pending against the Fire Authority.

NOTE H-RISK MANAGEMENT

The Fire Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Fire Authority has obtained insurance coverage. In addition, the Fire Authority has effectively managed risk through various employee education and prevention programs through the efforts and cooperation of its risk manager and department heads. All risk general liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred and the amount of loss can be reasonably estimated.

The Fire Authority Attorney estimates that the amount of actual or potential claims against the Fire Authority as of June 30, 2019, will not materially affect the financial condition of the Fire Authority. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

SUPPLEMENTARY INFORMATION

CRESCENT-VILLA FIRE AUTHORITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2019

	Required Supplementary Information			
	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 225,440	\$ 225,440	\$ 225,440	\$ 225,440
Resources (inflows):				
Intergovernmental revenues				
City of Crescent Springs	318,812	318,812	318,812	-
City of Villa Hills	478,218	478,218	478,219	1
City of Bromley	31,119	31,119	31,119	-
Charges for Services	200,000	200,000	217,320	17,320
Other Fees	14,000	14,000	17,912	3,912
Grants	10,500	10,500	11,000	500
Interest Income	-	-	148	148
Sale of assets	10,000	10,000	22,111	12,111
Use of Surplus	284,581	284,581	-	(284,581)
Amounts available for appropriation	<u>1,572,670</u>	<u>1,572,670</u>	<u>1,322,081</u>	<u>(250,589)</u>
Charges to appropriations (outflows):				
General Government:				
Public Safety	979,405	979,405	1,191,015	(211,610)
Debt Service				
Principal	367,825	367,825	72,113	295,712
Interest			11,138	(11,138)
Subtotal	<u>1,347,230</u>	<u>1,347,230</u>	<u>1,274,266</u>	<u>72,964</u>
Budgetary fund balance, June 30	<u>\$ 225,440</u>	<u>\$ 225,440</u>	<u>\$ 47,815</u>	<u>\$ (177,625)</u>

Note: The use of surplus was budgeted as income when it was actually excess cash reserves that were planned to be used. This was to purchase an ambulance which had been budgeted as part of debt service. There was no loan involved in this purchase since it was a cash transaction. The purchase of the ambulance was reclassified from debt service to Public Safety. Therefore, the unfavorable Public Safety variance is due to the budgeting of this ambulance. The overall fund balance unfavorable variance is the actual financial statement loss due to the ambulance purchase.

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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

**To The Chairman and Board
Members
Crescent-Villa Fire Authority**

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 governmental activities, and each major fund of the Crescent-Villa Fire Authority, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Crescent-Villa Fire Authority's basic financial statements and have issued our report thereon dated September 6, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Crescent-Villa Fire Authority'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 Crescent-Villa Fire Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Crescent-Villa Fire Authority'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 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 have not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be material weaknesses.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Crescent-Villa Fire Authority'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*.

Crescent-Villa Fire Authority's Response to Findings

The Crescent-Villa Fire Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Crescent-Villa Fire Authority'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.

RANKIN, RANKIN & COMPANY

Ft. Wright, Kentucky
September 6, 2019

CRESCENT-VILLA FIRE AUTHORITY <i>SCHEDULE OF FINDINGS AND RESPONSES</i> June 30, 2019
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Finding 1: Lack of Segregation of Duties

The Authority is responsible for maintaining an adequate system of internal controls over financial activity. The Authority is a small unit with limited personnel that usually hinders the ability to provide various segregating of duties. The Authority Treasurer is involved in all accounting functions, such as preparing daily deposits, processing accounts payable, preparing bank reconciliations and recording journal entries. However, certain oversight is used to lessen risk in these areas, such as a Board Member reviews and initials the bank reconciliation; the Treasurer is not involved in payroll preparation and the Chief reviews and approves the payroll; the Chief reviews and approves payment of accounts payable; and checks over \$2,500 require two signatures.

Recommendation: We recommend the Authority consider the following:

- (1) The Board and Fire Chief provides as much oversight as possible, such as reviewing disbursement documentation, signing checks and otherwise overseeing financial activity. We recommend continuing these oversight functions to minimize risk.

Authority's Response:

The Authority is a small unit with one administrative employee, thus limiting the possibility of segregation of duties. The Authority does however believe its use of Board Members and the Fire Chief in oversight and approval limits the lack of segregation of duties to minimal risk.