

CRESCENT-VILLA FIRE AUTHORITY

Financial Statements

Year Ended June 30, 2022

CRESCENT-VILLA FIRE AUTHORITY

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2022

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CRESCENT-VILLA FIRE AUTHORITY

LIST OF PRINCIPAL OFFICIALS

Year Ended June 30, 2022

Board of Directors

Sue Cassidy, Chairperson

Chad Longbons

Rod Baehner

George Bruns, President Fire Department

Scott Ringo

Jim Cahill

Mike Daugherty

Paul Morgan

Branden Wiseman

Other Officers

Jim Cahill, Treasurer

Fire Department Representation

Jeff Wendt, Fire Chief

Gary Foltz, Assistant Chief

Eric Tuemler, 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, 2022, 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.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Crescent-Villa Fire Authority and to meet other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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 and 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 fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Crescent-Villa Fire Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an



auditor's report that include our opinions. Reasonable assurance is a high level of assurance but it is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosure in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Crescent-Villa Fire Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Crescent-Villa Fire Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 on pages 7-11 and page 24 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 November 10, 2022, 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

A handwritten signature in cursive script that reads "Rankin, Rankin & Company".

**Ft. Wright, Kentucky
November 10, 2022**

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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, 2022. 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 \$6,541,251
- Revenues exceeded expenditures by \$358,900
- New equipment was purchased at a cost of \$239,538
- Firehouse expenditures were \$389,269

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 \$1,997,233 as of June 30, 2022.

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Current assets	\$ 6,715,375	\$ 6,178,191
Capital assets, net of accumulated depreciation	<u>1,649,856</u>	<u>1,214,965</u>
Total assets	<u>8,365,231</u>	<u>7,393,156</u>
Long-term liabilities	5,532,351	5,891,066
Other liabilities	<u>835,648</u>	<u>483,524</u>
Total liabilities	<u>6,367,999</u>	<u>6,374,590</u>
Net position		
Investment in capital assets	1,649,856	1,214,965
Unrestricted	<u>347,376</u>	<u>(196,399)</u>
Total Net Position	<u>\$ 1,997,232</u>	<u>\$ 1,018,566</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, 2022 and 2021.

	2022	2021
Revenues:		
Intergovernmental	\$ 2,009,359	\$ 1,011,458
Grants	37,021	36,647
Charges for services	331,595	252,169
Interest Income	2,232	186
Gain on disposal of assets	71,203	-
Miscellaneous income	399	1,260
Total revenues	<u>2,451,809</u>	<u>1,301,720</u>
Expenditures:		
Public Safety	1,072,342	1,057,063
Firehouse expenditures	389,269	111,300
Capital outlay	239,538	75,900
Debt Service		
Principal	183,760	52,566
Interest and other bond costs	208,000	25,184
Total Expenditures	<u>2,092,909</u>	<u>1,322,013</u>
Excess of revenues over expenditures	358,900	(20,293)
Other Financing Sources (Uses)		
Bonds Issued	-	5,670,000
Premium on bond sale	-	441,927
Cost of issuance discount	-	(111,927)
Total Other financing sources and uses	<u>-</u>	<u>6,000,000</u>
Net Change in fund balances	358,900	5,979,707
Fund Balance, beginning	<u>6,023,553</u>	<u>43,846</u>
Fund Balance, ending	<u>\$ 6,382,453</u>	<u>\$ 6,023,553</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 83% of the Authority's operating funding. The remainder comes from insurance billing 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. This process has been completed for the fiscal year 2021-2022. Excluding the funding for the new firehouse, the rate increased by 3.55%

The unincorporated areas of Kenton County, in our service district but outside of the two 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 insurance companies and 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, 2020, 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.

In fiscal year 2019-2020, the CVFA became concerned that the existing firehouse was not sufficient to conduct fire and EMT services safely. An engineering study was done to determine if the existing building could continue to be used to provide these services and, if not, could parts of the existing building be used in the future.

The results of the engineering study confirmed that the building needed to be replaced and that none of the existing structure could be economically used in the future. As a result, CVFA requested that the cities increase their annual budget for the firehouse by a total of \$50,000.00 to be used for design and legal expenses. The initial design indicated that \$5.3M would be needed for the base building. Based on that study, the Authority engaged KLC Bond Corporation to provide \$6M in bond funding.

When the actual bids were opened at a special meeting of the Authority on February 10, 2022, the actual price came in at \$7.5M. The cities were asked to commit an additional \$2.5M to the project (\$1M from Crescent Springs and \$1.5M from Villa Hills) which they agreed to. A new interlocal agreement was enacted by both Councils in this regard. Any funds remaining from the additional \$2.5M will be returned to the cities pro-rata when the building is complete.

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, 2022**

	Primary Governmental Activities
ASSETS	
Current assets	
Cash	\$ 6,541,251
Accounts receivable	43,093
Prepaid Expenses	19,861
Deferred Expense	111,170
Construction in progress	500,569
Capital assets, net of accumulated depreciation	1,149,287
Total assets	8,365,231
LIABILITIES	
Current liabilities	
Accounts payable	\$ 206,673
Accrued payroll expenses	15,079
Deferred revenue	438,941
Total current liabilities	660,693
Notes payable	
Due within one year	174,955
Due in more than one year	5,532,351
Total notes payable	5,707,306
Total liabilities	6,367,999
NET POSITION:	
Invested in capital assets	1,649,856
Unrestricted	347,376
Total net position	\$ 1,997,232
See accompanying notes to the financial statements.	

CRESCENT-VILLA FIRE AUTHORITY

Statement of Activities

Year Ended June 30, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Public Safety	\$ 1,072,342	\$ 1,234,588	\$ 37,021	\$ 1,106,366	\$ 1,305,633
Depreciation	193,916	-	-	-	(193,916)
Interest Expense on Debt	16,417	-	-	-	(16,417)
Interest on Long Term Debt	191,582	-	-	-	(191,582)
Total	<u>1,474,257</u>	<u>1,234,588</u>	<u>37,021</u>	<u>1,106,366</u>	<u>903,718</u>

General revenues

Miscellaneous Income	399
Sale of equipment	71,203
Bond amortization	1,115
Unrestricted investment earnings	2,232
Total general revenues	<u>74,949</u>
Change in net position	978,667
Net position, beginning	<u>1,018,566</u>
Net position, ending	<u>\$ 1,997,233</u>

See accompanying notes to the financial statements.

CRESCENT-VILLA FIRE AUTHORITY**Balance Sheet****Governmental Funds****June 30, 2022**

	Total Governmental Funds
ASSETS	
Current assets	
Cash	\$ 6,541,251
Accounts receivable	43,093
Prepaid expenses	19,861
Total assets	<u>\$ 6,604,205</u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 206,673
Accrued payroll expenses	14,015
Other accrued expenses	1,064
Total current liabilities	<u>221,752</u>
FUND BALANCES	
Unassigned	<u>6,382,453</u>
Total fund balances	<u>6,382,453</u>
Total liabilities and fund balances	<u>\$ 6,604,205</u>
 Total governmental fund balances	 \$ 6,382,453
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.	1,649,856
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds:	
Costs of issuance of debt are expensed currently for government funds and are carried as deferred expense in the statement of net position	111,170
Costs of bond premium are income currently for government funds and are carried as deferred income in the statement of net position	(438,941)
Notes payable-principal	(5,707,306)
Net position of governmental activities.	<u>\$ 1,997,232</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, 2022**

	Total Governmental Funds
Revenues:	
Intergovernmental revenues	
City of Crescent Springs	\$ 361,197
City of Villa Hills	541,796
Firehouse Project	1,043,366
Capital Projects	63,000
Charges for services	331,595
Grants	37,021
Interest income	2,232
Sale of equipment	71,203
Miscellaneous income	399
Total revenues	<u>2,451,809</u>
Expenditures:	
Public safety	1,072,342
Firehouse expenditures	389,269
Capital Outlay	239,538
Debt service:	
Principal	183,760
Interest	191,582
Other bond costs	16,418
Total Expenditures	<u>2,092,909</u>
Excess of revenues over (under) expenditures	358,900
Fund Balance	
Beginning of the year	6,023,553
End of the year	<u>\$ 6,382,453</u>
Reconciliation to government-wide changes in net position:	
Net change in fund balances	\$ 358,900
Capital outlay expenditures capitalized	628,807
Depreciation on governmental activities assets	(193,916)
Revenues in the statement of revenues, expenditures and changes in fund balances that do not provide current resources	-
Amortization on bond premium	1,493
Amortization on bond costs	(378)
Adjustment for sale of asset	-
Payment of debt	183,761
Change in net position of governmental activities	<u>\$ 978,667</u>

See accompanying notes to the financial statements.

CRESCENT-VILLA FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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 November 10, 2022, 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 nine 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, and two are elected by the Crescent Springs Volunteer Fire Department, Inc. 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, 2022

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, 2022

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, 2022

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, 2022, 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, 2022, 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. The \$5,709,036 temporary construction loan account is held by BNY Mellon in the Goldman FS TRSY ADMIN 524 account which is invested solely in a US Treasury money market account.

CRESCENT-VILLA FIRE AUTHORITY**NOTES TO FINANCIAL STATEMENTS****June 30, 2022****NOTE D – CAPITAL ASSETS AND DEPRECIATION**

The following is a summary of changes in capital assets for the year ended June 30, 2022.

	June 30, 2021	Additions	Retirements	June 30, 2022
Capital Assets:				
Construction in Progress	\$ 111,300	\$ 389,269	\$ -	\$ 500,569
Equipment	1,114,608	15,365	-	1,129,973
Improvements	38,571	-	-	38,571
Vehicles	2,466,626	224,173	(185,066)	2,505,733
Subtotal	<u>3,731,105</u>	<u>628,807</u>	<u>(185,066)</u>	<u>4,174,846</u>
Accumulated Depreciation:				
Equipment	915,698	39,747	-	955,445
Improvements	33,571	1,724	-	35,295
Vehicles	1,566,871	152,445	(185,066)	1,534,250
Subtotal	<u>2,516,140</u>	<u>193,916</u>	<u>(185,066)</u>	<u>2,524,990</u>
Net Capital Assets	<u>1,214,965</u>	<u>434,891</u>	<u>-</u>	<u>1,649,856</u>

Depreciation was charged to functions as follows:

Governmental Activities:

Public Safety	\$ <u>193,916</u>
Total governmental activities depreciation expense	\$ <u>193,916</u>

NOTE E – LAND

The land that the current firehouse sits on was owned by The Crescent Springs Volunteer Fire Department, Inc, a Kentucky Non-Profit Corporation. As part of obtaining funding for the construction of the new firehouse, the Fire Authority had requested the land be deeded to them so that the new firehouse would be on land owned by them so there would be no complications as to obtaining the loan and appropriate insurance coverage in the future. The Volunteer Fire Department agreed to this request. It was sold for \$1.00 and other good and valuable consideration to the Fire Authority on June 3, 2021. The land and current firehouse were listed at a value of \$1,538,000 in the deed at that time. Since it was impossible to separate the value of the land vs the current firehouse the land is not recorded on the balance sheet and offsetting it by a donation or contribution to the Fire Authority. The current firehouse will be razed upon the completion of the new firehouse.

NOTE F – 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

CRESCENT-VILLA FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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:

Year Ended June 30,	Principal	Interest	Total
2023	17,872	6,883	24,755
2024	18,508	6,247	24,755
2025	19,166	5,589	24,755
2026	147,747	4,907	152,654
	<u>\$ 203,293</u>	<u>\$ 23,626</u>	<u>\$ 226,919</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 interest rate was 2.4% and the final payment was made January 2022.

Bonds Payable

In April 2021 the Fire Authority entered into a bond agreement with the Kentucky League of Cities Bond Corporation to finance building a new firehouse in the amount of \$6,000,000 with a coupon rate of 3.0%. The bonds are payable over the period from June 2021 through January 2047.

The following is a schedule of future debt service requirements:

Year Ended June 30,	Principal	Interest & Other Expense	Total
2023	157,083	179,676	336,759
2024	162,083	174,571	336,654
2025	169,167	169,303	338,470
2026	177,083	163,805	340,888
2027	182,083	158,050	340,133
Thereafter	4,657,918	1,791,043	6,448,961
	<u>\$ 5,505,417</u>	<u>\$ 2,636,448</u>	<u>\$ 8,141,865</u>

CRESCENT-VILLA FIRE AUTHORITY**NOTES TO FINANCIAL STATEMENTS****June 30, 2022***Changes in General Long-Term Liabilities*

During the year ended June 30, 2022, the following changes occurred in liabilities reported in the general long-term debt account group:

	June 30, 2021	Additions	Retirements	June 30, 2022	Amounts Due Within 1 Year
Typhoon Truck	\$ 220,552	\$ -	\$ 18,663	\$ 201,889	\$ 17,872
Pumper & Rescue	13,014	-	13,014	-	-
Bonds	5,657,500	-	152,083	5,505,417	157,083
	<u>\$ 5,891,066</u>	<u>\$ -</u>	<u>\$ 183,760</u>	<u>\$ 5,707,306</u>	<u>\$ 174,955</u>

NOTE G – CREDIT RISK/ECONOMIC DEPENDENCY

The Fire Authority provides fire protection to residents and businesses within the Kentucky cities of Crescent Springs and Villa Hills. The county collects the service reimbursement from businesses and individual residences that are in nearby unincorporated areas and remits them to the Fire Authority to provide fire protection. The Fire Authority receives approximately 77.7% of its funding from Crescent Springs and Villa Hills based on actual 2021-2022 total revenues.

NOTE H-CONTINGENT LIABILITIES

There are no current lawsuits pending against the Fire Authority.

NOTE I-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, 2022, 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, 2022

	Required Supplementary Information			
	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ 6,023,553	\$ 6,023,553
Resources (inflows):				
Intergovernmental revenues				
City of Crescent Springs	361,197	361,197	361,197	-
City of Villa Hills	541,796	541,796	541,796	-
Charges for Services	200,000	278,168	331,595	53,427
Other Fees	30,449	38,449	-	(38,449)
Grants	10,500	35,500	37,021	1,521
Firehouse project	343,366	1,043,366	1,043,366	-
Future capital projects	63,000	63,000	63,000	-
Interest Income	22,125	-	2,232	2,232
Sale of equipment	-	71,203	71,203	-
Miscellaneous income	-	-	399	399
Amounts available for appropriation	<u>1,572,433</u>	<u>2,432,679</u>	<u>8,475,362</u>	<u>6,042,683</u>
Charges to appropriations (outflows):				
General Government:				
Public Safety	816,281	1,265,645	1,072,342	193,303
Bond Expense	-	16,418	16,418	-
Firehouse expenditures	343,366	-	389,269	(389,269)
Capital outlays	17,835	75,273	239,538	(164,265)
Debt Service				-
Principal	394,951	189,955	183,760	6,195
Interest	-	185,388	191,582	(6,194)
Subtotal	<u>1,572,433</u>	<u>1,732,679</u>	<u>2,092,909</u>	<u>(360,230)</u>
Budgetary fund balance, June 30	<u>\$ -</u>	<u>\$ 700,000</u>	<u>\$ 6,382,453</u>	<u>\$ 5,682,453</u>

The accompanying notes are an integral part of the 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 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, each major fund, and the aggregate remaining fund information of the Crescent-Villa Fire Authority, as of and for the year ended June 30, 2022, 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 November 10, 2022.

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) as a basis for designing 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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Report on 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 financial statements. 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

A handwritten signature in cursive script that reads 'Rankin, Rankin & Company'.

**Ft. Wright, Kentucky
November 10, 2022**

CRESCENT-VILLA FIRE AUTHORITY SCHEDULE OF FINDINGS AND RESPONSES June 30, 2022

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. The monthly cash disbursements report is distributed to all board and finance committee member for review.