



## **Jeffersontown Fire Protection District**

Independent Auditors' Report

And Financial Statements

For The Year Ended

June 30, 2016

Jeffersontown Fire Protection District  
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## Independent Auditors' Report

To the Members of the Board of Trustees  
Jeffersontown Fire Protection District  
Jeffersontown, Kentucky

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

We have audited the accompanying financial statements of the governmental activities and the major fund of the Jeffersontown Fire Protection District (the District) as of and for the year ended June 30, 2016, 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 accounting principles generally accepted in the United States of American; 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.

### **Auditors' Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund, of the Jeffersontown Fire Protection District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 3 through 6 and pages 27 through 29, respectively, 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary schedules on pages 30 through 32 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Governmental Auditing Standards***

In accordance with *Governmental Auditing Standards*, we have also issued our report dated September 11, 2016, on our consideration of the Jeffersontown Fire Protection District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Jeffersontown Fire Protection District's internal control over financial reporting and compliance.

***Baldwin CPAs, PLLC***

Baldwin CPAs, PLLC  
September 11, 2016

Jeffersontown Fire Protection District  
Management's Discussion and Analysis (MD&A)  
June 30, 2016

As management of the Jeffersontown Fire Protection District (the District), we offer readers of the District' financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements.

**FINANCIAL HIGHLIGHTS**

- As of June 30, 2016, the District's total assets amounted to approximately \$6,830,000, an increase of approximately \$910,000 from the prior year.
- Cash available for use to pay the District's obligations as of June 30, 2016 is \$1,466,552, an increase of approximately \$106,000 from the prior year.
- The District's net position decreased by approximately \$550,000 from the prior year.
- Depreciation expense (noncash expenditure) for the year was approximately \$270,000.
- The District received property taxes totaling approximately \$5,075,000 for the year. Prior year amount was approximately \$5,023,000.
- The District has a net pension liability of approximately \$7.4 million as well as related deferred outflows and inflows of resources.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The Fire District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS** - The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

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

Jeffersontown Fire Protection District  
Management's Discussion and Analysis (MD&A)  
June 30, 2016

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets 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 District's that are principally supported by various taxes, licenses and fees. The governmental activities of the District include fire and administrative services.

Property taxes, licenses and permits also support fixed assets and related debt. The government-wide financial statements can be found on pages 7-8 of this report.

**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 District's uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are classified as governmental funds. The basic fund financial statements can be found on pages 9-12 of this report.

**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 13-26 of this report.

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

**Financial Analysis (Government-wide Basis)**

**Table 1  
Net Position**

	Governmental Activities	
	2016	2015
Current and other assets	\$ 1,524,047	\$ 1,620,867
Capital assets	5,308,810	4,315,288
Deferred outflows of resources	1,200,460	519,015
Total assets and deferred outflows	8,033,317	6,455,170
Deferred inflows of resources	415,871	464,652
Current and other liabilities	604,863	585,763
Long-term debt outstanding	1,305,230	661,509
Net pension liability	7,411,931	5,897,737
Total liabilities and deferred inflows	9,737,895	7,609,661
Net position:		
Invested in capital assets	3,738,488	3,350,454
Restricted	-	-
Unrestricted	(5,443,066)	(4,504,935)
Total net position	\$ (1,704,578)	\$ (1,154,481)

Jeffersontown Fire Protection District  
Management's Discussion and Analysis (MD&A)  
June 30, 2016

**Table 2**  
**Changes in Net Position**

	Governmental Activities	
	2016	2015
Revenues		
Program Revenues:		
Charges for services	\$ -	\$ 9,900
Operating Grants and Contributions	235,231	188,244
General Revenues:		
Taxes	5,075,135	5,023,478
Interest Income	298	196
Miscellaneous Income	57,208	229,753
Gain on sale of assets	-	444,863
Total Revenues	<u>5,367,872</u>	<u>5,896,434</u>
Expenses:		
Administration	339,635	381,396
General Fire Services	5,578,335	4,389,945
Total Expenses	<u>5,917,970</u>	<u>4,771,341</u>
Increase (Decrease) in net position	<u>\$ (550,098)</u>	<u>\$ 1,125,093</u>

Real property taxes increased approximately \$52,000 from prior year. Miscellaneous income includes a \$50,000 non-cash contribution. Total expenses increased approximately \$807,000 from prior year as a result of the new pension reporting standards. Total pension expense for fiscal year 2016 was approximately \$1,627,000, an increase of approximately \$960,000 from the prior year.

**CAPITAL ASSETS**

The District purchased approximately \$1,264,000 in capital additions in fiscal year 2016 including fire gear, new tiller truck and land that is planned to house a new fire station. The district did not dispose of any assets in fiscal year 2016.

**Table 3**  
**Capital Assets**

	Governmental Activities	
	2016	2015
Land	\$ 897,411	\$ 668,411
Buildings and improvements	4,382,185	4,382,185
Equipment	2,435,879	2,379,727
Vehicles	2,437,466	1,458,175
Accumulated depreciation	(4,844,131)	(4,573,210)
Total Capital Assets, Net	<u>\$ 5,308,810</u>	<u>\$ 4,315,288</u>



Jeffersontown Fire Protection District  
Management's Discussion and Analysis (MD&A)  
June 30, 2016

**DEBT**

The District made bond principal payments of \$302,803 in fiscal year 2016. The capital lease liability with PNC was paid in full in FY 2015. The District incurred two new debts in fiscal year 2016. One in the amount of \$729,291 that was used to purchase a new tiller truck and the other in the amount of \$179,000 that was used to purchase a piece of land that is planned to be used to house a new fire station in the future.

**Table 4  
Outstanding Debt at Year-End**

	Governmental Activities	
	2016	2015
Bond payable	\$ 385,000	\$ 622,357
Notes payable	908,291	-
Capital lease payable	277,031	342,478
<b>Totals</b>	<b>\$ 1,570,322</b>	<b>\$ 964,835</b>

**COMMENTS ON BUDGET COMPARISONS**

- Property tax rates remain consistent with prior year.
- Actual revenues exceeded budget by approximately \$75,000.
- The District's actual total expenses before capital outlay, contingency and carryover expenses were under budget by approximately \$54,000 primarily related to employee payroll and benefits.

Contacting the Fire District:

This financial report is designed to provide citizens, creditors, and other users with an overview of the Fire District's finances, fiscal practices and responsibility. If you have questions or need additional information, please contact the Fire Chief at 10530 Watterson Trail Jeffersontown, KY 40299-3754.

Jeffersontown Fire Protection District  
Statement of Net Position  
June 30, 2016

Assets

Current Assets:

Cash and cash equivalents	\$ 1,466,552
Taxes receivable	37,826
Other receivables	11,874
Prepaid insurance	7,795
<b>Total Current Assets</b>	<b>1,524,047</b>

Capital Assets:

Land	897,411
Buildings and improvements (Net of \$2,015,552 depreciation)	2,192,936
Equipment (Net of \$1,510,743 depreciation)	262,568
Vehicles (Net of \$1,317,836 depreciation)	1,955,895
<b>Net Capital Assets</b>	<b>5,308,810</b>

**Total Assets** **6,832,857**

Deferred Outflows of Resources 1,200,460

Liabilities

Current Liabilities:

Accounts payable	39,021
Accrued payroll expense	76,543
Accrued employee benefits	83,426
Accrued interest expense	17,651
Accrued insurance payable	3,610
Current portion of bond, note and lease payable	384,612
<b>Total Current Liabilities</b>	<b>604,863</b>

Noncurrent Liabilities

Accrued vacation	119,520
Bond, note, and lease payable	1,185,710
Net pension liability	7,411,931
<b>Total Noncurrent Liabilities</b>	<b>8,717,161</b>

**Total Liabilities** **9,322,024**

Deferred Inflows of Resources 415,871

Net Position (Deficit)

Net investment in capital assets	3,738,488
Restricted	-
Unrestricted	(5,443,066)
<b>Total Net Position (Deficit)</b>	<b>\$ (1,704,578)</b>

Jeffersontown Fire Protection District  
Statement of Activities  
For the Year Ended June 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net Revenue(Expense) Governmental Activities</u>
Administration	\$ 339,635	\$ -	\$ -	\$ -	\$ (339,635)
General Fire Services	<u>5,578,334</u>	<u>-</u>	<u>185,231</u>	<u>50,000</u>	<u>(5,343,103)</u>
Total	<u>\$ 5,917,969</u>	<u>\$ -</u>	<u>\$ 185,231</u>	<u>\$ 50,000</u>	<u>(5,682,738)</u>
General Revenues					
Taxes					5,075,135
Interest Income					298
Miscellaneous Income					<u>57,208</u>
Total General Revenues					<u>5,132,641</u>
Change in Net Position (Deficit)					(550,097)
Net Position (Deficit)-beginning of year					<u>(1,154,481)</u>
Net Position (Deficit)-end of year					<u>\$ (1,704,578)</u>

See accompanying notes to financial statements.

Jeffersontown Fire Protection District  
Balance Sheet - Governmental Funds  
June 30, 2016

	General Fund
<b>Assets</b>	
Cash and cash equivalents	\$ 1,466,552
Taxes receivable	37,826
Other receivables	11,874
Prepaid insurance	<u>7,795</u>
Total Assets	<u><u>\$ 1,524,047</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 39,021
Accrued employee benefits	83,426
Accrued payroll expense	76,543
Accrued insurance payable	3,610
Accrued interest expense	<u>17,651</u>
Total Liabilities	<u>220,251</u>
<b>Fund Balances</b>	
Nonspendable	7,795
Unassigned	<u>1,296,001</u>
Total Fund Balances	<u>1,303,796</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,524,047</u></u>

Jeffersontown Fire Protection District  
 Reconciliation of the Governmental Funds Balance Sheet to  
 the Statement of Net Position  
 For the Year Ended June 30, 2016

Total fund balance - total governmental funds	\$ 1,303,796
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds, net of accumulated depreciation and amortization of \$4,844,129.</p>	5,308,810
<p>Deferred outflows and inflows used in governmental activities are not financial resources and therefore are not reported in the governmental funds:</p>	
Outflows related to pension	1,200,460
Inflows related to pension	(415,871)
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:</p>	
Due within 1 year	(384,612)
Due in more than 1 year	(1,305,230)
Net pension liability	<u>(7,411,931)</u>
Net Position of governmental activities	<u><u>\$ (1,704,578)</u></u>

Jeffersontown Fire Protection District  
Statement of Revenues, Expenditures, and Changes in Fund  
Balances - Governmental Funds  
For the Year Ended June 30, 2016

	<u>General Fund</u>
Revenues:	
Taxes	\$ 5,075,135
State aid	185,231
Interest income	298
Miscellaneous income	57,208
Total Revenues	5,317,872
Expenditures:	
Fire protection - operations	4,482,634
Administration	339,635
Capital outlay	1,269,515
Debt service:	
Principal	302,803
Interest	40,111
Total Expenditures	6,434,698
Expenditures over Revenues	(1,116,826)
Other Financing Sources (Uses)	
Proceeds of line of credit	530,000
Payments of line of credit	(530,000)
Contributions	50,000
Proceeds from notes payable	908,292
Total Other Financing Sources and (Uses)	958,292
Net Change in Fund Balances	(158,534)
Fund balances - beginning of year	1,462,330
Fund balances - end of year	\$ 1,303,796

Jeffersontown Fire Protection District  
 Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Governmental Funds to the Statement of Activities  
 For the Year Ended June 30, 2016

Net change in fund balances - total governmental funds	\$ (158,534)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases recorded	1,264,444
Depreciation and amortization expense not recorded as expenditure in governmental funds	(270,921)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:	302,803
Proceeds from debt financing is revenue in the governmental funds, but the proceeds increases long-term liabilities in the statement of net position:	(908,292)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	4,371
Net pension liability	<u>(783,968)</u>
 Change in Net Position of Governmental Activities	 <u><u>\$ (550,097)</u></u>

Jeffersontown Fire Protection District  
Notes to Financial Statements  
June 30, 2016

Note 1 – Summary of Significant Accounting Policies

The Reporting Entity

The Jeffersontown Fire Protection District (The District) was created and established for the purpose of providing fire protection and fire prevention services to the citizens and property owners of the City of Jeffersontown. The District was established under provisions of Chapter 75 of the Kentucky Revised Statutes as a special taxing district and is recognized by the Internal Revenue Service as a political subdivision of the Commonwealth of Kentucky for federal income tax purposes.

The District is governed by a seven-member board of trustees. Two of the trustees are property owners who reside in the district and are elected by District-voting property owners. Three trustees are appointed by either the county judge/executive or the mayor. Two trustees are elected by members of the firefighters of the District.

A review of other agencies was performed in order to determine if they met the criteria as discussed above for inclusion in the District's financial statements. District management determined that no other agencies should be in the District's financial statements.

Basis of Accounting

The accounting and reporting policies of the Jeffersontown Fire Protection District relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles presented by the Government Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governments and by the Financial Accounting Standards Board (when applicable). The District first applies restricted resources when an expense is incurred for restricted and unrestricted purposes. The more significant policies of the District are described below.

Net Position/Fund Balances

In the combined statement of net position, the difference between the District's assets and deferred outflows and the District's liabilities and deferred inflows is recorded as the District's net position. The three components of net position are as follows:

*Invested in Capital Assets* – This category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes, or other borrowing attributable to the acquisition, construction, or improvement of capital assets.

*Restricted Net Position* – Net assets that are restricted by external sources such as banks or by law are reported separately as restricted net assets. When assets are required to be retained in perpetuity, these non-expendable net assets are recorded separately from expendable net assets. These are components of restricted net assets. The District has no restricted net assets as of June 30, 2016.

*Unrestricted Net Position* – This category represents net assets not appropriated for expenditures or legally segregated for a specific future use.



Jeffersontown Fire Protection District  
Notes to Financial Statements (Continued)  
June 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

Net Position/Fund Balances (Continued)

In the balance sheet of governmental funds the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into the following classifications, as applicable:

*Non-spendable* – These resources include amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. The District's non-spendable funds consisted of prepaid expenses of \$7,795 as of June 30, 2016.

*Restricted* – Amounts constrained for a specific purpose by external parties, constitutional provisions or enabling legislation. The District had no restricted funds as of June 30, 2016.

*Committed* – Amounts constrained for a specific purpose by the District using its highest level of decision-making authority. For resources considered committed the Board of Trustees or the member from the Board of Trustees given authority to assign amounts. The District had no committed funds for capital expenditures as of June 30, 2016.

*Assigned* – Amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Amounts may be assigned by the Board of Trustees or the member from the Board of Trustees given authority to assign amounts. The District had no assigned funds as of June 30, 2016.

*Unassigned* – Amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

Basis of Presentation

The Government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all activities of the District. These are district activities normally supported by taxes.

The Statement of Activities demonstrated the degree to which expenses of a given program are affected by specific program revenues as indicated. Direct expenses are those that are clearly identifiable with a specific program. Indirect expenses are allocated to each program area based on direct expenses.

Component Unit Presentation

The District's basic financial statements include the accounts of all District operations. The District's criteria for including organizations as component units with the District's reporting entity, is set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards.

Based on the aforementioned criteria the District has no component unit.

General Fund

The General fund is the general operating fund of the District. All financial resources, except those required to be accounted for in other funds, are accounted for in the general fund.

Jeffersontown Fire Protection District  
Notes to Financial Statements (Continued)  
June 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus/Basis of Accounting

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

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resource measurement focus means all assets and liabilities (whether current or non-current) are included on the Statement of Net Position and the operating statement presents increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting revenues are recognized when earned. Expenses are recognized at the time a liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible, that is: when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The District considers property taxes as available if they are collected within 30 days after year end. A one year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when related fund liability is incurred. However, debt service expenditures are recorded only when the payment is due. The revenues susceptible to accrual are property taxes, state aid, and interest income and all other revenues are recognized when received.

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements: Formal budgetary integration is employed as a management control device during the year for the General Fund. The budget is prepared on a basis consistent with generally accepted accounting principles.

The budget by statute, including expenditures set aside for emergency purposes, is required to be approved by the Board of Trustees.

The Statement of Revenues and Expenditures – Budget and Actual amounts for the General Fund present a comparison of the legally adopted budget (approved by the Board of Trustees May 1, 2015 and amended October 23, 2015) with actual data on a budgetary basis.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results differ from those estimates.

Deposits and Investments

Deposits and investments are carried at cost. State statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of deposits, money market savings accounts, repurchase agreements, passbooks and other available bank investments provided that such financial institutions are insured by an agency of the U.S. Government.

Jeffersontown Fire Protection District  
Notes to Financial Statements (Continued)  
June 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

Investments in excess of the insured amount must be secured with approved securities pledged by the financial institutions. The District had no investments at June 30, 2016.

Cash and Cash Equivalents

The District has defined cash and cash equivalents to include cash on hand and demand deposits and highly liquid investments with an original maturity of three months or less.

Prepaid Items

Prepaid balances are for payments made by the District in the current year to provide services occurring in the subsequent fiscal year and reserve for prepaid (if required) has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

Compensated Balances

All unpaid, compensated absences that will be liquidated with expendable available financial resources have been accrued as a liability in the general fund. In the government-wide Statement of Net Position, the total amount of unpaid compensated absences is reported within accrued expenses. Earned vacation pay may be paid upon termination.

Property and Equipment

Capital assets which include land, buildings and improvements, equipment and vehicles are reported in the applicable governmental columns in the governmental-wide financial statements. All capital assets are valued at their historical cost or estimated historical cost if actual historical is not available.

Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expense. Renewals and betterments are capitalized with a threshold of \$2,000 at the completion of construction, when additions are placed into service.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	50 Years
Improvements	20 Years
Fire Trucks	15-25 Years
Vehicles	5-10 Years
Equipment	5-10 Years
Fire Fighting Gear	5-10 Years

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometime report a separate section for deferred outflows of resources. This separate element, deferred outflows of resources, represents a consumption of resources of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then.

Jeffersontown Fire Protection District  
Notes to Financial Statements (Continued)  
June 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

The District has four items that qualify for reporting in this category. These include the District's pension contributions made subsequent to the measurement date, differences between expected and actual experience, net difference between projected and actual investment earnings on pension plan investments and changes in assumptions.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category, changes in proportion and differences between employer contributions and proportionate share of contributions and net difference between projected and actual investment earnings on pension plan investments, which is reported in the Statement of Net Position and Balance Sheet – Governmental Funds. These amounts are recognized as an inflow of resources in the period that the amounts become available. Refer to the Pension Liability, Pension Expense and Deferred Outflows and Inflows of Resources Related to Pension in Note 6, Retirement Plan.

Note 2 - Deposits

The District maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by state statute. According to state statute, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the District and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial credit risk is the risk that in the event of a depository institution failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk but rather follows the requirements of state statute. As of June 30, 2016, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. The District's cash and cash equivalents of \$1,466,552 were held entirely by one financial institution at June 30, 2016. Of this balance, \$250,000 was covered by Federal depository insurance, and \$1,216,552 was collateralized with securities pledged by the financial institution in the District's name at June 30, 2016.

Jeffersontown Fire Protection District  
Notes to Financial Statements (Continued)  
June 30, 2016

Note 3 – Property and Equipment

A summary of changes in property and equipment for the year ended June 30, 2016, follows:  
Governmental Activities:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 668,411	\$ 229,000	\$ -	\$ 897,411
Buildings and improvements	4,382,185	-	-	4,382,185
Equipment	2,379,727	56,152	-	2,435,879
Vehicles	1,458,175	979,291	-	2,437,466
Total Assets at Historical Cost	<u>8,888,498</u>	<u>1,264,443</u>	<u>-</u>	<u>10,152,941</u>
Less: accumulated depreciation				
Buildings and improvements	1,925,820	89,732	-	2,015,552
Equipment	1,468,911	41,832	-	1,510,743
Vehicles	1,178,479	139,357	-	1,317,836
Total Acc. Depreciation	<u>4,573,210</u>	<u>270,921</u>	<u>-</u>	<u>4,844,131</u>
Total Capital Assets, Net	<u>\$ 4,315,288</u>	<u>\$ 993,522</u>	<u>\$ -</u>	<u>\$ 5,308,810</u>

Depreciation expense was charged to the functions of the District as follows:

Administration	\$ 6,167
General Fire Services	<u>264,754</u>
Total depreciation expense governmental activities	<u>\$ 270,921</u>

Note 4 – Long-term Debt

Bond Payable

Bonds payable consists of the following at June 30, 2016:

<u>Bank/Lessor</u>	<u>Amount</u>	<u>Origin</u>	<u>Due</u>	<u>Rate</u>	<u>Secured By</u>
Kentucky				Variable	(2) KME Pumper Trucks
League of Cities	\$1,840,000	1/19/98	2/15/18	1.0% - 3.0%	Facilities

The following is a summary of long-term bond transactions of the District for the year ended June 30, 2016:

Bond payable at June 30, 2015	\$ 622,357
Principal paid	<u>(237,357)</u>
Bond payable at June 30, 2016	<u>\$ 385,000</u>

Jeffersontown Fire Protection District  
Notes to Financial Statements (Continued)  
June 30, 2016

Note 4 – Long-term Debt (Continued)

Future maturities of bond payable are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 242,083	\$ 11,650
2018	142,917	4,550
Total Payments	<u>\$ 385,000</u>	<u>\$ 16,200</u>

Capital Lease Payable

Capital lease payable consists of the following at June 30, 2016:

The following is a summary of long-term lease transactions of the District for the year ended June 30, 2016:

<u>Bank/Lessor</u>	<u>Amount</u>	<u>Origin</u>	<u>Due</u>	<u>Rate</u>	<u>Secured By</u>
BB & T Bank	\$470,000	12/13/12	1/20/20	1.88%	2013 Seagrave
Lease payable at June 30, 2015					\$ 342,478
Principal paid					<u>(65,447)</u>
Lease payable at June 30, 2016					<u>\$ 277,031</u>

Future maturities of lease payable are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 66,955	\$ 5,179
2018	68,214	3,920
2019	69,496	2,638
2020	72,366	1,331
Total Payments	<u>\$ 277,031</u>	<u>\$ 13,068</u>

Notes Payable

Notes payable consists of the following at June 30, 2016:

The following is a summary of long-term notes payable transactions of the District for the year ended June 30, 2016:

<u>Bank/Lessor</u>	<u>Amount</u>	<u>Origin</u>	<u>Due</u>	<u>Rate</u>	<u>Secured By</u>
BB & T Bank	\$179,000	4/8/2016	4/8/2026	2.46%	Real Property
Note payable at June 30, 2015					\$ -
Debt proceeds					<u>179,000</u>
Note payable at June 30, 2016					<u>\$ 179,000</u>

Jeffersontown Fire Protection District  
Notes to Financial Statements (Continued)  
June 30, 2016

Note 4 – Long-term Debt (Continued)

Future maturities of notes payable are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 16,007	\$ 4,403
2018	16,400	4,010
2019	16,804	3,606
2020	17,217	3,193
2021	17,641	2,769
2022-2026	94,931	7,119
Total Payments	<u>\$ 179,000</u>	<u>\$ 25,100</u>

<u>Bank/Lessor</u>	<u>Amount</u>	<u>Origin</u>	<u>Due</u>	<u>Rate</u>	<u>Secured By</u>
Kentucky Bond Corporation	\$729,291	8/8/2015	8/8/2025	2.54%	2015 Ladder Truck

Note payable at June 30, 2015	\$ -
Debt proceeds	729,291
Note payable at June 30, 2016	<u>\$ 729,291</u>

Future maturities of notes payable are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 59,567	\$ 24,544
2018	67,101	17,011
2019	68,805	15,307
2020	70,553	13,559
2021	72,345	11,767
2022-2026	390,920	29,637
Total Payments	<u>\$ 729,291</u>	<u>\$ 111,825</u>

Note 5 – Property Tax Calendar and Rate

Property taxes assessed on January 1, issued in November of each year and submitted to the County Clerk for computation. Such taxes become a lien on property on the following January 1. The Sheriff of Jefferson County collects the property tax revenues and remits monthly to the District its portion less applicable discounts and fees beginning in November. A final settlement of such property taxes is received from the Sherriff at the time of audit. The tax rate set for the year ended June 30, 2016 was \$.10 per \$100 assessed valuation for real and personal property.

Note 6 – Retirement Plan

*Plan Description*

The District contributes to the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that cover all regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board, agency, county, city,

Jeffersontown Fire Protection District  
Notes to Financial Statements (Continued)  
June 30, 2016

Note 6 - Retirement Plan (Continued)

school board, and any additional eligible local agencies electing to participate. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

CERS was created by the Kentucky General Assembly. Benefits are fully vested immediately upon reaching 60 months of service and are established by state statutes. Benefits of CERS members are calculated on the basis of age, final average salary and service credit. CERS also provides survivor, disability and health care coverage. Authority to establish and amend benefits is provided by Kentucky Revised Statutes Section 61.645.

For the fiscal year ended June 30, 2016 the District's covered payroll for hazardous and non-hazardous positions was \$2,619,344. Kentucky Revised Statutes provides authority for employee and employer contributions. Employees and the District have contributed all of the required contributions for the fiscal year ending June 30, 2016.

Contribution rates are as follows:

	<u>Employee</u>	<u>Employer</u>
Non-hazardous	5.0%-6.0%	17.06%
Hazardous	8.0%-9.0%	32.95%

The District's contribution for the fiscal year ended June 30, 2016 amounted \$1,045,033, of which \$843,718 was contributed by the District and \$201,315 by the District's employees.

Membership in CERS consisted of the following at June 30, 2015:

	<u>Non-Hazardous</u>	<u>Hazardous</u>	<u>Total</u>
Retirees and beneficiaries currently receiving benefits	48,112	6,389	54,501
Inactive memberships	72,965	2,142	75,107
Active plan members	<u>82,969</u>	<u>9,188</u>	<u>92,157</u>
	<u>204,046</u>	<u>17,719</u>	<u>221,765</u>
Number of participating employers			<u>1,136</u>

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions*

At June 30, 2016, the District reported a liability of \$7,411,931 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the District's proportion was 0.478 percent for hazardous and .002 percent for non-hazardous.



Jeffersontown Fire Protection District  
Notes to Financial Statements (Continued)  
June 30, 2016

Note 6 - Retirement Plan (Continued)

For the year ended June 30, 2016, the District recognized pension expense of \$1,310,383. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contribution and proportionate share of contribution	\$ -	\$ 84,802
Differences between expected and actual results	159,947	-
Changes of assumptions	641,626	-
Net difference between projected and actual earnings on Plan investments	46,754	580,813
Amortization of deferred inflows and outflows	(174,282)	(249,744)
District contributions subsequent to the measurement date	526,415	-
Total	\$ 1,200,460	\$ 415,871

The \$526,415 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2017	\$ 40,699
2018	40,699
2019	39,597
2020	137,181

The Schedule of Deferred Inflows and Outflows, and Pension Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments and for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.

Jeffersontown Fire Protection District  
Notes to Financial Statements (Continued)  
June 30, 2016

Note 6 - Retirement Plan (Continued)

*Actuarial Methods and Assumptions*

The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2015. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2015
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	28 years
Asset Valuation Method	5-year smoothed market
Inflation	3.25%
Salary Increase	4.0%, average, including inflation
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

Long Term Rate of Return: The long term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long term rate of return assumption including long term historical data, estimates inherent in current market data, and a log normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10 year horizon and may not be useful in setting the long term rate of return for funding pension plans which covers a longer timeframe.

The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Jeffersontown Fire Protection District  
Notes to Financial Statements (Continued)  
June 30, 2016

Note 6 - Retirement Plan (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	%
Combined Equity	44	5.40	%
Combined Fixed Income	19	1.50	
Real Return (Diversified Inflation Strategies)	10	3.50	
Real Estate	5	4.50	
Absolute Return (Diversified Hedge Funds)	10	4.25	
Private Equity	10	8.50	
Cash Equivalent	2	-.25	
Total	100		%

*Discount Rate*

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 28 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate determination does not use a municipal bond rate. The periods of projected benefit payments for all current plan members were projected through 2117.

*Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	Discount rate	District's proportionate share of net pension liability
1% decrease	6.5%	\$ 9,487,000
Current discount rate	7.5%	\$ 7,412,000
1% increase	8.5%	\$ 5,692,000

Jeffersontown Fire Protection District  
Notes to Financial Statements (Continued)  
June 30, 2016

Note 6 - Retirement Plan (Continued)

*Changes of assumptions:* Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated. The changes are noted below.

- 1) The assumed investment rate of return was decreased from 7.75% to 7.50%.
- 2) The assumed rate of inflation was reduced from 3.50% to 3.25%.
- 3) The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- 4) Payroll growth assumption was reduced from 4.50% to 4.00%.
- 5) The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- 6) For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2014 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 3 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigations is conducted.
- 7) The assumed rates of Retirement, Withdrawal, and Disability were updated to more accurate reflect experience.

*Payables to the pension plan:* At June 30, 2016, the District reported a payable including insurance contributions of \$82,401 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

*Pension plan fiduciary net position:* Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at [www.kyret.ky.gov](http://www.kyret.ky.gov).

Note 7 – Contingencies – Lawsuits

The District is not involved in lawsuits or matters which require disclosure with the ABA Statement policy regarding Lawyer's Responses to Auditors' Request per the opinion of counsel.

Note 8 – Risk Management

Significant losses are covered by commercial insurance with premiums (based on industry information adjusted for any District claims) for general liability, vehicles, personal and real property. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 9 – On Behalf Payment Salaries

The District received \$200,148 from the State of Kentucky as administered by the Commission on Fire Protection Personnel Standards and Education for educational pay incentive.

Jeffersontown Fire Protection District  
Notes to Financial Statements (Continued)  
June 30, 2016

Note 10 – Fire Training Academy and Financial Guarantees

Jeffersontown Fire Protection District is one of nine fire district members of the Jefferson County Fire Training Academy, Inc. The Training Academy issues a stand-alone financial report.

The District as an equal co-borrower, is responsible for 14.3% (\$35,890) of the outstanding balance of a Note in the amount of \$250,977, and is jointly and severally liable on the balance of the Note. Management evaluated the District's exposure to loss at June 30, 2016 and no accrual was deemed necessary.

The District pays fees to the Academy to utilize the facilities for fire training for their employees. In addition, the facility is available to use for a fee by other Metro Louisville, area fire protection districts. The fees are intended to cover operating expenses and debt retirement of the facility.

Note 11 – Line of Credit

The District opened a Line of Credit July 1, 2010 with a commercial bank with a maximum borrowing limit of \$2,000,000 bearing interest at 2.19% per annum or the prime rate whichever is greater. Amounts outstanding under the Line of Credit are collateralized by the District's property tax receipts. There was no outstanding balance at June 30, 2016. Effective July 1, 2016 the maturity of this Line of Credit was extended to June 30, 2017.

Note 12 – Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through September 11, 2016 the date the financial statements were available to be issued.

Required Supplementary Information

Jeffersontown Fire Protection District  
Statement of Revenues, Expenditures and Changes  
in Fund Balances - Governmental Funds  
Budget and Actual  
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$4,967,298	\$ 5,010,004	\$ 5,075,135	\$ 65,131
State aid	194,600	194,600	185,231	(9,369)
Interest income	100	100	298	198
Miscellaneous income	38,531	38,531	57,208	18,677
<b>Total Revenue</b>	<b>5,200,529</b>	<b>5,243,235</b>	<b>5,317,872</b>	<b>74,637</b>
Expenditures:				
Employee payroll and taxes	2,889,331	2,889,331	2,846,976	42,355
Employee benefits	1,538,320	1,581,026	1,559,591	21,435
Administration	44,410	44,410	49,071	(4,661)
Utilities	112,300	112,300	89,406	22,894
Legal, accounting and insurance	80,600	80,600	68,737	11,863
Maintenance	91,500	88,500	146,494	(57,994)
Supplies	62,000	67,000	41,893	25,107
Training	16,750	16,750	16,898	(148)
Fire prevention	4,000	4,000	3,203	797
Debt service:				-
Principal	303,052	303,052	302,803	249
Interest	24,266	24,266	37,790	(13,524)
Line of credit interest	8,000	8,000	2,321	5,679
<b>Total Expenditures, Before Capital, Contingency and Carryover</b>	<b>5,174,529</b>	<b>5,219,235</b>	<b>5,165,183</b>	<b>54,052</b>
Capital outlay	26,000	24,000	1,269,515	(1,245,515)
Contingency	568,742	1,212,330	-	1,212,330
Unencumbered cash balance carryover	(568,742)	(1,212,330)	-	(1,212,330)
	<u>26,000</u>	<u>24,000</u>	<u>1,269,515</u>	<u>(1,245,515)</u>
<b>Total Expenditures, Including Capital Contingency and Carryover</b>	<b>5,200,529</b>	<b>5,243,235</b>	<b>6,434,698</b>	<b>(1,191,463)</b>
Other Financing Sources (Uses):				
Proceeds of line of credit	2,000,000	2,000,000	530,000	(1,470,000)
Payments of line of credit	(2,000,000)	(2,000,000)	(530,000)	1,470,000
Contributions	-	-	50,000	50,000
Proceeds from long-term debt	-	-	908,292	908,292
<b>Total Other Financing Sources and (Uses)</b>	<b>-</b>	<b>-</b>	<b>958,292</b>	<b>958,292</b>
<b>Net Change in Fund Balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (158,534)</b>	<b>\$ (158,534)</b>

Jeffersontown Fire Protection District  
Schedule of the District's Proportionate Share of the Net Pension Liability  
County Employees' Retirement System  
Last Two Fiscal Years

	June 30, 2015		June 30, 2016	
	Hazardous	Non-Hazardous	Hazardous	Non-Hazardous
District's proportion of the net pension liability (asset)	0.485824%	0.001818%	0.477790%	0.001797%
District's proportionate share of the net pension liability (asset)	\$ 5,838,754	\$ 58,983	\$ 7,334,655	\$ 77,274
District's covered-employee payroll	\$ 2,525,781	\$ 62,908	\$ 2,485,862	\$ 133,481
Districts proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	231.17%	93.76%	295.05%	57.23%
Plan fiduciary net position as a percentage of the total pension liability	63.46%	66.80%	57.52%	59.97%



Jeffersontown Fire Protection District  
Schedule of the District's Contributions  
County Employees' Retirement System  
Last Two Fiscal Years

	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Contractually required contribution (includes \$317,303 for Health Insurance Fund)	\$ 845,735	\$ 843,718
Contributions in relation to the contractually required contribution	<u>(845,735)</u>	<u>(843,718)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,588,689	\$ 2,619,344
Contributions as a percentage of covered-employee payroll	32.67%	32.21%

Supplementary Information

Jeffersontown Fire Protection District  
Schedule of Revenues  
For the Year Ended June 30, 2016

Revenues:

Taxes - assessments as of January 1, 2015	\$ 5,075,135
State aid	185,231
Interest income	298
Miscellaneous	<u>57,208</u>
Total Revenues	<u>\$ 5,317,872</u>

Jeffersontown Fire Protection District  
Schedule of Expenditures  
For the Year Ended June 30, 2016

Employee Payroll:	
Salaries	<u>\$ 2,659,400</u>
Total Employee Payroll	<u>2,659,400</u>
Payroll Taxes:	<u>187,576</u>
Employee Benefits:	
Group health and dental insurance	543,810
Firefighter pension	843,721
Clothing allowance	36,945
Unemployment insurance	6,971
Workers compensation insurance	<u>128,144</u>
Total Employee Benefits	<u>1,559,591</u>
Administration:	
Hydrant painting	97
Administrative expense	14,813
Extermination services	708
Security services	300
Public meetings	8,073
Dues and subscriptions	11,154
Physicals	10,479
Board meetings	2,927
Advertising	183
Flowers	<u>337</u>
Total Administration	<u>49,071</u>
Utilities and Fuel:	
Electricity and cable	28,417
Telephone and electronic communications	20,461
Water, sewage, and garbage	11,990
Vehicle fuel	<u>28,538</u>
Total Utilities and Fuel	<u>89,406</u>
Legal, Accounting, and Insurance:	
Legal accounting and auditing	22,454
Insurance	<u>46,283</u>
Total Legal, Accounting, and Insurance	<u>68,737</u>

Jeffersontown Fire Protection District  
Schedule of Expenditures (Continued)  
For the Year Ended June 30, 2016

Maintenance:	
Vehicle and apparatus	\$ 89,282
Radios	2,293
Portable and support	5,790
Office and computer	8,938
Fire stations	<u>40,191</u>
Total Maintenance	<u>146,494</u>
Supplies:	
Office and computer	7,161
Uniforms	8,608
Firefighting	<u>26,124</u>
Total Supplies	<u>41,893</u>
Training:	
Schools and conferences	14,725
Travel	<u>2,173</u>
Total Training	<u>16,898</u>
Fire Prevention:	
Supplies	<u>3,203</u>
Total Fire Prevention	<u>3,203</u>
Capital Outlay:	
Vehicle and apparatus	979,291
Portable support	20,302
Land	229,000
Office equipment	14,177
Facilities and improvement	<u>26,745</u>
Total Capital Outlay	<u>1,269,515</u>
Debt Service	<u>302,803</u>
Interest	<u>40,111</u>
Total Expenditures	<u><u>\$ 6,434,698</u></u>

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 *Government Auditing Standards*

To the Chief and the Board of Trustees  
Jeffersontown Fire Protection District

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 for Jeffersontown Fire Protection District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Jeffersontown Fire Protection District's basic financial statements and have issued our report thereon dated September 11, 2016.

**Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as 2016-1 and 2016-2 to be material weaknesses.

A *significant deficiency* is a deficiency, or 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Jeffersontown Fire Protection District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

## **Jeffersontown Fire Protection District's Responses to Findings**

The Jeffersontown Fire Protection District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Jeffersontown Fire Protection District's responses were 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.

*Baldwin CPAs, PLLC*

Baldwin CPAs, PLLC  
Richmond, Kentucky

September 11, 2016

Jeffersontown Fire Protection District  
Schedule of Findings and Responses  
June 30, 2016

A. Findings – Financial Statement Audit

2016-1

**Criteria:**

As discussed in *Standards for Internal Control in the Federal Government* published by the General Accounting Office of the United States, internal control is an integral component of an organization's management that provides reasonable assurance that an objective of reliable financial reporting is being achieved. Organizations should implement procedures to ensure this objective is achieved.

**Condition:**

During the audit procedures performed, instances of this objective not being completely achieved were noted.

**Cause:**

The District's limited internal resources prevent the preparation of financial statements and related note disclosures in accordance with Generally Accepted Accounting Principles.

**Effect:**

The District was unable to prepare or review their financial statements and related note disclosures in accordance with Generally Accepted Accounting Principles.

**Views of responsible officials and planned corrective actions:**

We are aware that we have limited resources which prevent the preparation of financial statements and related note disclosures in accordance with Generally Accepted Accounting Principles. It is due to these limited resources that we cannot have additional personnel or seek the assistance of outside accounting firms to assist with this process.

2016-2

**Criteria:**

As discussed in *Standards for Internal Control in the Federal Government* published by the General Accounting Office of the United States, internal control is an integral component of an organization's management that provides reasonable assurance that an objective of reliable financial reporting is being achieved. Organizations should implement procedures to ensure this objective is achieved.

**Condition:**

During the audit procedures performed, instances of this objective not being completely achieved were noted.

**Cause:**

There are not appropriate segregation of duties in the areas of general ledger bookkeeping, cash receipts and disbursements. The individual charged with maintaining the general ledger is also responsible for collecting and recording cash receipts, making deposits, preparing checks, receives the bank statements, prepares the bank reconciliation without adequate mitigating controls in place.

**Effect:**

This condition could provide an opportunity for misappropriation of funds and concealment of such activity.



2016-2 (continued)

**Views of responsible officials and planned corrective actions:**

The District has limited resources that prevent being able to further segregate duties, but will implement stronger internal controls to help mitigate any risk associated with the process.