

CRESCENT-VILLA FIRE AUTHORITY

FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

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CRESCENT-VILLA FIRE AUTHORITY
Board of Directors
June 30, 2016

Board of Directors

Mike Daugherty, Chairman

Jim Cahill, Treasurer

Patty Grimes, Secretary

Rod Baehner

George Bruns

Sue Cassidy

Scott Ringo

Tom Vergamini

Fire Department Representation

Jeff Wendt, Fire Chief

Roy East, Assistant Chief

Amy Reis, Advanced Life Support Director

Of Counsel

Steve Martin, Attorney

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Crescent-Villa Fire Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Crescent-Villa Fire Authority, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Fire Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Crescent-Villa Fire Authority as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 – 6 and page 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2016, 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 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 Crescent-Villa Fire Authority's internal control over financial reporting and compliance.

Van Gorder, Walker + Co., Inc.

Van Gorder, Walker, & Co., Inc.
Erlanger, Kentucky
October 15, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) is required supplementary information per the Government Accounting Standards Board (GASB) that provides management with the opportunity to provide both short and long term analysis of the Crescent-Villa Fire Authority's (Fire Authority) financial activities. The MD&A should be read in conjunction with the Fire Authority's basic financial statements, which begin on page 6.

Reporting on the Fire Authority as a Whole

After careful review and analysis of the 2016 audit, we are pleased to report that the Crescent-Villa Fire Authority is fiscally sound, and responsibly meeting the fire protection and emergency medical service needs of the taxpayers of Crescent Springs and Villa Hills. The following is a discussion and analysis of the attached financial statements.

The Statement of Net Position and Statement of Activities

These are government-wide statements which are measured using the full accrual basis of accounting. They include all assets and liabilities and report the Fire Authority's net position and changes in them. The Fire Authority's basic services are considered to be governmental activities, and include general government and public safety. The contributions from the cities of Crescent Springs and Villa Hills, plus emergency medical service billings finance most of these services.

The assets of the Fire Authority exceeded its liabilities at June 30, 2016 by \$1,016,282 compared to \$1,052,954 in fiscal year 2015.

Effective July 1, 2003, the Fire Authority's capital assets have been historically valued and will be included in the investment in capital assets shown in the Statement of Net Position.

Assets	2016	2015
Current and other assets	\$ 72,667	\$ 172,383
Capital assets	1,459,620	1,174,265
Total Assets	1,532,287	1,346,648
Liabilities		
Long-term liabilities	430,691	181,053
Other liabilities	85,314	112,641
Total Liabilities	516,005	293,694
Net Position		
Net investment in capital assets	978,567	935,694
Unrestricted	37,715	117,260
Total Net Position	\$ 1,016,282	\$ 1,052,954

Governmental activities decreased the Fire Authority's net position by \$36,672, of which \$144,703 was non-cash depreciation expense.

The Statement of Revenues, Expenditures and Changes in Fund Balance

This is a governmental fund financial statement which is measured on the modified accrual basis of accounting and includes only currently expendable assets and associated liabilities.

This statement reflects a \$79,545 deficit of revenues and other financing sources under expenditures compared to a surplus of \$48,365 in 2015.

Revenues	2016	2015
Intergovernmental revenues	\$ 778,015	\$ 626,869
ALS/city contributions	-	118,550
Grants	60,599	169,752
Charges for services	220,640	224,838
Interest income	294	308
Gain on disposal of assets	1,800	16,190
Proceeds from loans	300,000	-
Total Revenues	<u>1,361,348</u>	<u>1,156,507</u>
Expenditures		
Public safety	947,841	819,847
Capital outlay	434,791	206,853
Debt service		
Principal	52,785	73,740
Interest	5,476	7,702
Total Expenditures	<u>1,440,893</u>	<u>1,108,142</u>
Excess (deficit) of revenues over (under) expenditures	(79,545)	48,365
Fund balance, beginning	<u>117,260</u>	<u>68,895</u>
Fund balance, ending	<u>\$ 37,715</u>	<u>\$ 117,260</u>

Budget

The budget for the 2015-2016 fiscal year was not amended this fiscal year. Please see page 16 of the financial statements for presentation of budgetary comparisons to actual balances.

Capital Outlay

The Fire Authority continues to invest in assets that will be used to provide the best protection to the communities it serves. During 2016, the Fire Authority placed in service a new vehicle and purchased a new Typhoon Truck which is in progress at year end.

The capital assets were reported for the fiscal years ended as follows:

Asset Category	Governmental Activities	
	2016	2015
Equipment	\$ 899,659	\$ 899,659
Building improvements	38,571	38,571
Vehicles	2,610,542	2,199,955
Totals	\$ 3,548,772	\$ 3,138,185

This year's net increase of \$410,587 in capital assets included:

Typhoon pumper truck	\$ 395,692
Pick up truck	39,099
Vehicle disposal	(24,204)
	\$ 410,587

Debt

At June 30, 2016, the Fire Authority had \$481,053 in outstanding debt. The following is a summary of the Fire Authority's debt transactions during the year ended June 30, 2016:

Equipment Financed	June 30, 2015	Additions	Deletions	June 30, 2016
2006 Ladder truck	\$ 20,288	\$ -	\$ 20,288	\$ -
2011 Pumper / rescue	137,105	-	19,486	117,619
2013 Ambulance	77,109	-	13,675	63,434
2015 Typhoon pumper	-	300,000	-	300,000
Totals	\$ 234,502	\$ 300,000	\$ 53,449	\$ 481,053

Contacting the Fire Authority's Financial Management

This financial report is designed to provide our citizens, taxpayers and creditors with 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 any questions about this report or need additional information, contact the Fire Authority's Treasurer at: Crescent-Villa Fire Authority, 777 Overlook Drive, Crescent Springs, KY 41017.

CRESCENT-VILLA FIRE AUTHORITY STATEMENT OF NET POSITION June 30, 2016
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	<u>Governmental Activities</u>	
	<u>2016</u>	<u>Memo Only 2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 72,667	\$ 162,662
Accounts receivable	-	9,721
Total current assets	<u>72,667</u>	<u>172,383</u>
Non-current assets		
Capital assets		
Vehicles	2,610,542	2,199,955
Improvements	38,571	38,571
Equipment	899,659	899,659
Less: accumulated depreciation	<u>(2,089,152)</u>	<u>(1,963,920)</u>
Total non-current assets	<u>1,459,620</u>	<u>1,174,265</u>
TOTAL ASSETS	<u>1,532,287</u>	<u>1,346,648</u>
LIABILITIES		
Current liabilities		
Accounts payable, accrued expenses	34,952	55,123
Loan payable, current portion	<u>50,362</u>	<u>57,518</u>
Total current liabilities	85,314	112,641
Non-current liabilities		
Loan payable	<u>430,691</u>	<u>181,053</u>
TOTAL LIABILITIES	<u>516,005</u>	<u>293,694</u>
NET POSITION		
Net investment in capital assets	978,567	935,694
Unrestricted	<u>37,715</u>	<u>117,260</u>
TOTAL NET POSITION	<u>\$ 1,016,282</u>	<u>\$ 1,052,954</u>

The accompanying notes are an integral part of the financial statements.

CRESCENT-VILLA FIRE AUTHORITY STATEMENT OF ACTIVITIES For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Public safety	\$ 947,841	\$ 998,655	\$ -	\$ 60,599	\$ 111,413
Depreciation	144,703	-	-	-	(144,703)
Interest expense	5,476	-	-	-	(5,476)
Total	<u>\$ 1,098,020</u>	<u>\$ 998,655</u>	<u>\$ -</u>	<u>\$ 60,599.00</u>	<u>(38,766)</u>

General revenues

Gain on disposal of asset	1,800
Miscellaneous income	-
Unrestricted investment earnings	294
Total general revenues	<u>2,094</u>
Change in net position	<u>(36,672)</u>
Net position, beginning	<u>1,052,954</u>
Net position, ending	<u>\$ 1,016,282</u>

The accompanying notes are an integral part of the financial statements.

CRESCENT-VILLA FIRE AUTHORITY BALANCE SHEET June 30, 2016
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	<u>General Fund</u>	
	<u>2016</u>	<u>Memo Only 2015</u>
ASSETS		
Cash and cash equivalents	\$ 72,667	\$ 162,662
Accounts receivable	-	9,721
TOTAL ASSETS	<u>\$ 72,667</u>	<u>\$ 172,383</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable/accrued expenses	\$ 34,952	\$ 55,123
FUND BALANCES		
Unassigned fund balance	<u>37,715</u>	<u>117,260</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 72,667</u>	<u>\$ 172,383</u>
<i>Reconciliation of governmental fund balances to the Statement of Net Position</i>		
Total governmental fund balances	\$ 37,715	\$ 117,260
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,459,620	1,174,265
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(481,053)</u>	<u>(238,571)</u>
Net Position of Governmental Activities	<u>\$ 1,016,282</u>	<u>\$ 1,052,954</u>

The accompanying notes are an integral part of the financial statements.

<p>CRESCENT-VILLA FIRE AUTHORITY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS For the Year Ended June 30, 2016</p>
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	<u>General Fund</u>	
	<u>2016</u>	<u>Memo Only 2015</u>
REVENUES		
Intergovernmental revenues	\$ 778,015	\$ 626,869
ALS/city contributions	-	118,550
Grants	60,599	169,752
Charges for services	220,640	224,838
Interest income	294	308
Gain on disposal of assets	1,800	7,950
Loan proceeds	300,000	-
TOTAL REVENUES	<u>1,361,348</u>	<u>1,156,507</u>
EXPENDITURES		
Current		
Public safety	947,841	819,847
Capital outlay	434,791	206,853
Debt service		
Principal	52,785	73,740
Interest	5,476	7,702
TOTAL EXPENDITURES	<u>1,440,893</u>	<u>1,108,142</u>
NET CHANGE IN FUND BALANCE	(79,545)	48,365
FUND BALANCE, BEGINNING OF YEAR	<u>117,260</u>	<u>68,895</u>
FUND BALANCE, END OF YEAR	<u>\$ 37,715</u>	<u>\$ 117,260</u>

The accompanying notes are an integral part of the financial statements.

<p>CRESCENT-VILLA FIRE AUTHORITY RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2016</p>
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Amounts reported for *governmental activities* in the statement of activities are different because:

Net change in fund balances--total governmental funds	\$ (79,545)
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Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Fixed asset purchases of \$434,791, net of \$144,703 depreciation expense.	290,088
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The issuance of debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of the governmental funds:

Issuance of debt	(300,000)
Principal payments	<u>52,785</u>

Change in net position of governmental activities	<u><u>\$ (36,672)</u></u>
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The accompanying notes are an integral part of the financial statements.

CRESCENT-VILLA FIRE AUTHORITY NOTES TO FINANCIAL STATEMENTS June 30, 2016
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The Crescent-Villa Fire Authority (Fire Authority) was created by an intergovernmental 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 area 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. In the Statements of Revenues, Expenditures and Changes in Fund Balances, these operations are reflected in the General Fund. The Fire Authority is under the direction of a seven-member board of directors, of whom three are appointed by the Mayor of the City of Crescent Springs and four are appointed by the Mayor of Villa Hills.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for all of the non-fiduciary activities of the primary government. Generally, the effect of inter-fund activity has been removed from these statements.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expense and program revenues associated with a distinct functional activity. Program revenues include: charges for services, and other charges to users of the Fire Authority's services; operating grants and contributions which finance annual operating activities including restricted investment income; and capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions on the program uses. Other revenue sources not properly included with program revenues are reported 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 paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditures.

Fund Financial Statements

Fund financial statements, as applicable, are provided for governmental funds.

Fund Types

The accounts of the Fire Authority are organized into a fund, which is considered to be an accounting entity. The only major fund category utilized is described below:

Governmental Fund

The governmental fund is accounted for using the current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period. The Fire Authority uses one governmental fund, the general fund.

CRESCENT-VILLA FIRE AUTHORITY NOTES TO FINANCIAL STATEMENTS June 30, 2016
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Measurement Focus, Basis of Accounting and Financial Statement Presentation

The basic financial statements of the Fire Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the Fire Authority are described below.

The government-wide financial statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues when grantor eligibility requirements are met.

The governmental 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. The Fire Authority considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only in the year when payment is due. Major revenue sources where accrual is most likely to occur include participating city contributions, grants and charges for services.

Principal operating expenses are the costs of providing public safety services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Total fund balance of the governmental fund is classified as *unassigned*, which is all residual funds not included in non-spendable, committed, restricted, or assigned fund balances.

When both restricted and unassigned resources are available for use, it is the Fire Authority's policy to use restricted resources first, then unassigned resources as needed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Fire Authority is exempt from income taxes as a governmental organization that receives a substantial portion of its income from governmental entities. It is exempt under Section 501(c) of the Internal Revenue Code.

CRESCENT-VILLA FIRE AUTHORITY NOTES TO FINANCIAL STATEMENTS June 30, 2016
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Budgets and Budgetary Accounting

The Fire Authority's annual budget is a management tool that assists its users in analyzing financial activity for its fiscal year ending June 30.

The annual budget for the general fund was reviewed and approved by the Board of Directors. It was also submitted to the county clerk of Kenton County as required by the Kentucky Revised Statutes.

Cash Equivalents

For the purpose of the statement of net position and balance sheet presentation, the Fire Authority considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investment Policy

The Fire Authority's investment policy allows investments in the form of United States of America government obligations, financial institutions' saving accounts, certificates of deposit and other liquid investments covered by FDIC insurance and/or collateral pledged by the issuing financial institution.

Accounts Receivable

Monies received within sixty days after June 30, 2016, which represent payments for the fiscal year ending June 30, 2016, are included in accounts receivable.

Property and Equipment

All property, plant and equipment are recorded at cost. Management depreciates its property, plant, and equipment using the straight-line method. Upon sale or retirement, both the cost and its associated depreciation are removed from their respective accounts.

Accounts Payable

All invoices dated before June 30, 2016, but paid subsequent to that date pertaining to the current fiscal year, are listed as accounts payable.

Allowance for Bad Debts

The Fire Authority uses the direct write-off method to account for bad debts. If they used the allowance method, there would be no significant variation in recognizing bad debt expense.

CRESCENT-VILLA FIRE AUTHORITY NOTES TO FINANCIAL STATEMENTS June 30, 2016
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NOTE B - PROPERTY AND EQUIPMENT

A summary of changes in general fixed assets for the year ended June 30, 2016 is as follows:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Equipment	\$ 899,659	\$ -	\$ -	\$ 899,659
Improvements	38,571	-	-	38,571
Vehicles	2,199,955	434,791	24,204	2,610,542
Fixed Assets	3,138,185	434,791	24,204	3,548,772
Accumulated Depreciation	(1,963,920)	(149,436)	(24,204)	(2,089,152)
Net Fixed Assets	<u>\$ 1,174,265</u>	<u>\$ 285,355</u>	<u>\$ -</u>	<u>\$ 1,459,620</u>
	Additions:	Typhoon Pumper	\$ 395,692	
		2016 Chevy	39,099	
			<u>\$ 434,791</u>	
	Deletions:	2010 Ford	<u>\$ 24,204</u>	

The Typhoon Pumper was paid for but assembly was in progress at year end and has not yet been put in service.

NOTE C - GENERAL LONG-TERM DEBT

Typhoon Truck Loan

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

Year Ended June 30,	Truck Loan Payable
2017	\$ 16,271
2018	16,748
2019	17,240
2020	17,747
2021	18,269
2022 to 2026	213,725
Total	<u>\$ 300,000</u>

CRESCENT-VILLA FIRE AUTHORITY NOTES TO FINANCIAL STATEMENTS June 30, 2016
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Pumper and Rescue Vehicle Loan

In December of 2011, the Fire Authority finalized a loan agreement for the acquisition of a combined pumper and rescue vehicle. The total cost of the vehicle was \$480,366, with a loan component of \$200,000. The vehicle being financed provides the collateral for the loan. The loan bears interest at 2.40% and the final payment is due January 2022. The remaining payments are as follows:

Year Ended June 30,	Pumper & Rescue Loan Payable
2017	\$ 19,954
2018	20,432
2019	20,923
2020	21,424
2021	21,938
2022	12,948
Total	<u>\$ 117,619</u>

Ambulance Vehicle Loan

In October of 2013, the Fire Authority finalized a loan agreement for the acquisition of an ambulance vehicle. The total cost of the vehicle was \$189,066, with a loan component of \$100,000. The vehicle being financed provides the collateral for the loan. The loan bears interest at a variable rate of 3.250% and a final balloon payment is due September 2018.

The remaining payments are as follows:

Year Ended June 30,	Ambulance Loan Payable
2017	\$ 14,138
2018	14,611
2019	34,685
Total	<u>\$ 63,434</u>

NOTE D - 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 Fire Authority also contracts with seven businesses and thirty-five individual residences that are outside of the Cities' jurisdiction to provide fire protection. The Fire Authority receives approximately 64% of its funding from Crescent Springs, Kentucky and Villa Hills, Kentucky.

CRESCENT-VILLA FIRE AUTHORITY NOTES TO FINANCIAL STATEMENTS June 30, 2016
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NOTE E – SUBSEQUENT EVENTS

The Authority's management has evaluated and considered the need to recognize or disclose subsequent events through October 15, 2016 which represents the date that these financial statements were available to be issued. The Authority is disclosing a law suit which has been filed by an employee of the Crescent Springs/Villa Hills Fire & EMS. The Authority has no employees. The Authority's attorney has turned the claim over to the Insurance company to settle the claim and management feels there are no financial statement impacts at this time. Subsequent events past this date, as they pertain to the year ended June 30, 2016, have not been evaluated by the Authority's management.

CRESCENT-VILLA FIRE AUTHORITY
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL - GENERAL FUND
For the Year Ended June 30, 2016

	2016				Memo Only	
	Budgeted Amounts			Actual	Variance with Final Budget Favorable (Unfavorable)	Actual
	Original	Revisions	Final			
Budgetary fund balance, July 1	\$ 117,260	\$ -	\$ 117,260	\$ 117,260	-	\$ 68,895
Resources (inflows)						
Intergovernment revenues	778,015	-	778,015	778,015	-	626,869
ALS/city contributions	-	-	-	-	-	118,550
Grants	60,599	-	60,599	60,599	-	169,752
Charges for services	213,741	-	213,741	220,640	6,899	224,838
Interest income	-	-	-	294	294	308
Equipment reimbursements	-	-	-	-	-	8,240
Gain on disposal of asset	-	-	-	1,800	1,800	7,950
Other financing sources						
Proceeds from loans	-	-	-	300,000	300,000	-
Amounts available for appropriation	1,169,615	-	1,169,615	1,478,608	308,993	1,225,402
Charges to appropriations (outflows)						
Fire Authority						
Administration	16,435	-	16,435	15,146	1,289	13,125
Fire Department						
Administration	108,500	-	108,500	110,652	(2,152)	98,972
Advanced life support	39,800	-	39,800	46,041	(6,241)	34,187
Communications	8,000	-	8,000	3,339	4,661	2,233
Equipment, fire	86,803	-	86,803	76,089	10,714	24,013
Equipment maintenance	60,325	-	60,325	55,035	5,290	46,434
Equipment, squad	12,000	-	12,000	9,801	2,199	5,981
Life squad	10,280	-	10,280	15,709	(5,429)	13,721
Payroll	616,612	-	616,612	593,357	23,255	555,141
Welfare	24,000	-	24,000	17,123	6,877	16,595
Other	6,000	-	6,000	5,549	451	3,370
Capital Outlay	134,681	-	134,681	434,791	(300,110)	206,853
Debt Service	58,000	-	58,000	58,261	(261)	87,517
Total charges to appropriations	1,181,436	-	1,181,436	1,440,893	(259,457)	1,108,142
Budgetary fund balance, June 30	\$ (11,821)	\$ -	\$ (11,821)	\$ 37,715	\$ 49,536	\$ 117,260

The accompanying notes are an integral part of the financial statements.



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

To the Board of Directors
Crescent-Villa Fire Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Crescent-Villa Fire Authority (Fire Authority), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Fire Authority's basic financial statements, and have issued our report thereon dated October 15, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fire Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Fire Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we identified a deficiency in internal control, described below, that we consider to be a significant deficiency.

Lack of Segregation of Duties

Condition: We noted that due to the size of the Fire Authority and financial considerations, the executing and recording of transactions are performed by the same person.

Criteria: The process of executing a transaction should be segregated from the process of recording the transaction.

Effect: Segregation of duties is a necessary part of any system of internal control. Lack of segregation of duties could allow for receipts to be diverted away from the Fire Authority and expenses not attributed to the Fire Authority could be paid for from the Fire Authority's cash account.

Recommendation: Due to the size of the Fire Authority and other financial considerations, opportunities to strengthen internal controls are limited. Board members should continue to closely monitor all financial activity during their monthly meetings.

Compliance and Other Matters

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

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.



Van Gorder, Walker & Co., Inc.
Erlanger, Kentucky
October 15, 2016