

**FERN CREEK FIRE PROTECTION DISTRICT AND
FERN CREEK FIRE PROTECTION DISTRICT
HOLDING COMPANY, INC.**

COMBINED FINANCIAL STATEMENTS

June 30, 2015

C O N T E N T S

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION & ANALYSIS	3-5
COMBINED FINANCIAL STATEMENTS	
Combined Government-Wide Financial Statements:	
Combined Statement of Net Position	6
Combined Statement of Activities	7
Combined Fund Financial Statements:	
Combined Balance Sheet – Governmental Funds	8
Reconciliation of the Combined Balance Sheet – Governmental Funds to the Combined Statement of Net Position	9
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	10
Reconciliation of the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Combined Statement of Activities	11
NOTES TO THE COMBINED FINANCIAL STATEMENTS	12-26
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of District's Proportionate Share of Net Pension Liability	27
Schedule of District Contributions	28
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29-30



Jones, Nale & Mattingly PLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Fern Creek Fire Protection District and
Fern Creek Fire Protection District
Holding Company, Inc.
Louisville, Kentucky

Report on the Financial Statements

We have audited the accompanying combined financial statements of the governmental activities and each major fund of the Fern Creek Fire Protection District and the Fern Creek Fire Protection District Holding Company, Inc. (the District), as of and for the year ended June 30, 2015, and the related notes to the combined financial statements, which collectively comprise the District's basic financial statements.

Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Fern Creek Fire Protection District and the Fern Creek Fire Protection District Holding Company, Inc., as of June 30, 2015, and the respective changes in financial position 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 on pages 3 through 5, Schedule of District's Proportionate Share of Net Pension Liability on page 27, and Schedule of District Contributions on page 28 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 13, 2015, on our consideration of the Fern Creek Fire Protection District and the Fern Creek Fire Protection District Holding Company, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 District's internal control over financial reporting and compliance.

Jones, Nale & Mattingly PC

Louisville, Kentucky
October 13, 2015

**FERN CREEK FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

The purpose of the management's discussion and analysis is to provide an overview of the financial activities of the Fern Creek Fire Protection District and Fern Creek Fire Protection District Holding Company, Inc. (collectively the District) based on currently known facts, decisions, or conditions and should be read in conjunction with the District's combined financial statements, which begin on page 6.

Financial Highlights

The combined financial statements included in this report provide insight into the financial status of the District as of and for the year ended June 30, 2015. Effective July 1, 2014, the District adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions. The statement requires the liability of employers, such as the District, to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. The net position of the District has been restated for the cumulative effect of the adoption of this statement as explained in Note 5 to the combined financial statements.

The District's operations for the year ended June 30, 2015 resulted in an increase in the District's net position of \$347,606. The cumulative effect of the adoption of GASB Statement No. 68 was a decrease in net position of \$2,100,000, resulting in a net position of \$3,173,385 at June 30, 2015. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the District depreciates its capital assets resulting in a calculation of total accumulated depreciation in the amount of \$5,682,009 as of June 30, 2015. Depreciation expense for the year ended June 30, 2015 was \$311,855.

Total expenditures for all governmental funds were \$2,846,748, which was \$7,046 more than the total revenues of \$2,839,702 for the year ended June 30, 2015.

In April 2008, the District entered into a lease agreement with the Kentucky Association of Counties Leasing Trust in order to finance the purchase of a new fire engine and the equipment that is being used on it. With regard to this lease, in Note 4 to the combined financial statements, the District has disclosed various risks associated with an interest rate swap arrangement with a third party financial institution utilized to fix the interest rate paid on the lease. The rate is fixed at 4.01%. The additional disclosures concerning the interest rate swap arrangement are required under GASB Statement No. 53 and include comprehensive and lengthy reporting requirements. If the lease and/or interest rate swap arrangement are terminated prior to maturity for any reason, the District may incur additional costs. However, District management believes that the potential impact on the combined financial statements would not be material.

Reporting the District as a Whole

There was a decrease of \$144,478 in cash and investments, from \$2,422,416 at June 30, 2014 to \$2,277,938 at June 30, 2015. The combined statement of net assets and the combined statement of activities report financial information about the District as a whole and about its activities in a concise form. These combined statements include all assets and liabilities using the full accrual basis of accounting. All of the 2015 fiscal year's revenues and expenses are taken into account when revenue is earned or an expense is incurred.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Governmental Activities

The District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. The analysis of governmental funds begins on page 8 of these statements. The General and Debt Fund revenues for the fiscal year were more than the amount budgeted by \$54,783 and the total expenditures were \$117,032 less than the amounts budgeted. The majority of expenditures were less than the amounts budgeted for the ninth consecutive year. This was due to a concerted effort by the Trustees, the Chief and the Board of Directors to reduce expenditures in order to preserve the cash reserves during the current economic recession. The District froze and bought out the defined benefit volunteer firefighter pension, and now offers a defined contribution plan.

During the year ended June 30, 2015 the District responded to 813 requests for assistance, of which 109 of those responses were to assist Louisville Metro EMS. Our responses to assist EMS were down from the 201 runs that were made in the prior year, because the District has reduced its response level to only to life threatening situations such as patients having difficulty breathing. Responses to assist EMS were 13% of the District's run volume during the current year, compared to 39%, 35% and 21% for fiscal years 2012, 2013 and 2014, respectively. Although the District is experiencing a substantial increase in operating costs for medical responses to assist Louisville Metro EMS, it does not currently charge for those medical services or receive compensation from Louisville Metro Government.

The District levies a property tax at the rate of ten cents (\$.10) per hundred dollars (\$100) of property valuation for both real and personal property. The District is legally prohibited from assessing a rate, which is higher than the ten cents per hundred dollars of valuation. The current property tax rate has been capped for over 60 years and was based on departments that did not have career firefighters. Currently, the District has only one station that is staffed on a 24 hour basis. The total cost including benefits to staff a station with career firefighters is approximately \$900,000 per year. At that rate it would cost the District an additional \$2,700,000 to provide 24 hour staffing at the other three stations that are now manned by volunteers and would require that the size of the present budget be more than doubled. During the past year the number of volunteers decreased from 59 to 40. In spite of the increased effort to recruit volunteers, the number of volunteers is decreasing because of the busy lifestyle of the current generation. The District's goal is to have volunteers stay at Station 1 during the overnight hours in order to provide a faster response to calls for assistance. In order to provide sleeping quarters for the volunteers, the administrative offices at Station 1 were moved to Station 2 in 2012.

The District has only four (4) stations, and yet is responsible for protecting an area that is approximately the size of the City of Louisville, before the merger of city and county governments. Still, our average response time during the twelve months ended December 31, 2014 was only 5:49 minutes. For response purposes, the suburban fire districts basically operate now as one fire department, so that the closest staffed unit will respond to a call for help, even if the call is outside its district boundary. In the opinion of the District's management, the District consistently provides the highest level of service possible to our community with the current level of financial resources available.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's financial position and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the District's Chairman, Charles J. Bauer, Jr. CPA, Fern Creek Fire Protection District, P.O. Box 91025, Louisville, KY 40291.

FERN CREEK FIRE PROTECTION DISTRICT

COMBINED STATEMENT OF NET POSITION

June 30, 2015

	2015
ASSETS	
Current assets:	
Cash	\$ 1,479,948
Accounts receivable, property taxes, and other	42,896
Investments - short term (Note 2)	752,362
Total current assets	<u>\$ 2,275,206</u>
Non-current assets:	
Investments (Note 2)	\$ 45,628
Capital assets, net of depreciation (Note 3)	3,944,314
Land (Note 3)	191,141
Total non-current assets	<u>\$ 4,181,083</u>
Total assets	<u><u>\$ 6,456,289</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension plan contributions (Note 5)	<u>\$ 316,133</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 6,772,422</u></u>
LIABILITIES	
Current liabilities:	
Current maturities of long-term debt (Note 4)	\$ 36,951
Current portion of capital lease (Note 4)	145,000
Accounts payable	5,677
Accrued wages and benefits	165,592
Total current liabilities	<u>\$ 353,220</u>
Non-current liabilities:	
Long-term debt, less current maturities (Note 4)	\$ 416,650
Capital leases, less current portion (Note 4)	569,167
Net pension liability (Note 5)	2,057,000
Total non-current liabilities	<u>\$ 3,042,817</u>
Total liabilities	<u><u>\$ 3,396,037</u></u>
DEFERRED INFLOWS OF RESOURCES	
Differences on earnings of pension plan investments (Note 5)	<u>\$ 203,000</u>
NET POSITION	
Net investment in capital assets	\$ 3,421,288
Unrestricted (deficit)	<u>(247,903)</u>
Total net position	<u><u>\$ 3,173,385</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 6,772,422</u></u>

The Notes to Combined Financial Statements are an integral part of this statement.

FERN CREEK FIRE PROTECTION DISTRICT

COMBINED STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

	<u>2015</u>
EXPENSES	
Salaries, wages, and benefits	\$ 1,567,415
Operating expenses	374,411
Repairs and maintenance expense	189,030
Interest expense and debt refunding fees	49,385
Depreciation expense (Note 3)	<u>311,855</u>
Total expenses	<u>\$ 2,492,096</u>
GENERAL REVENUES	
Property taxes (Note 6)	\$ 2,711,820
State aid incentives and other (Note 5)	119,498
Interest earnings	<u>8,384</u>
Total general revenues	<u>\$ 2,839,702</u>
Change in net position	\$ 347,606
Net position, beginning of year, as previously reported	<u>4,925,779</u>
Cumulative effect of adoption of new accounting principle (Note 5)	(2,100,000)
Net position, beginning of year, as restated	<u>2,825,779</u>
Net position, end of year	<u><u>\$ 3,173,385</u></u>

The Notes to Combined Financial Statements are an integral part of this statement.

FERN CREEK FIRE PROTECTION DISTRICT
COMBINED BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash	\$ 1,236,315	\$ 243,633	\$ 1,479,948
Accounts receivable, property taxes, and other	42,896	--	42,896
Investments (Note 2)	797,990	--	797,990
Total assets	<u>\$ 2,077,201</u>	<u>\$ 243,633</u>	<u>\$ 2,320,834</u>
LIABILITIES			
Accounts payable	\$ 5,677	\$ --	\$ 5,677
Accrued wages and benefits	165,592	--	165,592
Total liabilities	<u>\$ 171,269</u>	<u>\$ --</u>	<u>\$ 171,269</u>
FUND BALANCES			
Non spendable	\$ 22,661	\$ --	\$ 22,661
Restricted for:			
Debt Service	--	243,633	243,633
Assigned for:			
Vehicle replacement	219,334	--	219,334
Building maintenance	413,428	--	413,428
Training	52,953	--	52,953
Equipment	89,086	--	89,086
Future payroll costs	261,595	--	261,595
Volunteer Fund	24,509	--	24,509
Unassigned	822,366	--	822,366
Total fund balances	<u>1,905,932</u>	<u>243,633</u>	<u>2,149,565</u>
Total liabilities and fund balances	<u>\$ 2,077,201</u>	<u>\$ 243,633</u>	<u>\$ 2,320,834</u>

The Notes to Combined Financial Statements are an integral part of this statement.

FERN CREEK FIRE PROTECTION DISTRICT

**RECONCILIATION OF THE COMBINED BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE COMBINED STATEMENT OF NET POSITION**

June 30, 2015

Total fund balances for governmental funds	\$ 2,149,565
Total net position reported for governmental activities in the statement of net position is different because:	
Land and capital assets, net of depreciation, used in governmental activities are not financial resources, and therefore, not reported in governmental funds.	4,135,455
Liabilities such as capital leases and notes payable are applicable to the District's governmental activities are not reported as liabilities in governmental funds. Such non-current liabilities are reported in the statement of net position.	(1,167,768)
Liabilities such as net pension liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. The District's net pension liability is reported in the combined statement of net position.	(2,057,000)
Deferred outflows and inflows of resources related to pension plans are related to future periods and, therefore, are not reported in governmental funds. The District's deferred outflows (\$316,133) and deferred inflows (\$203,000) are reported in the combined statement of net position.	<u>113,133</u>
Total net position of governmental activities	<u><u>\$ 3,173,385</u></u>

The Notes to Combined Financial Statements are an integral part of this statement.

FERN CREEK FIRE PROTECTION DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	Actual					
	Total Budget	General Fund	Debt Service Fund	Post-Employment Retirement Fund	Total Governmental Funds	Over (Under) Budget
REVENUES						
Property taxes	\$ 2,665,000	\$ 2,711,820	\$ --	\$ --	\$ 2,711,820	\$ 46,820
State aid incentives and other	109,919	119,498	--	--	119,498	9,579
Interest earnings	10,000	8,384	--	--	8,384	(1,616)
Total revenues	\$ 2,784,919	\$ 2,839,702	\$ --	\$ --	\$ 2,839,702	\$ 54,783
EXPENDITURES						
Property and equipment additions						
Land and buildings	\$ 300	15,468	\$ --	\$ --	\$ 15,468	\$ 15,168
Vehicles and fire fighting equipment	85,114	78,648	--	--	78,648	(6,466)
Communication and other equipment	17,500	4,157	--	--	4,157	(13,343)
Personnel operating expenses	30,400	28,183	--	--	28,183	(2,217)
Administrative expenses:						
Insurance	55,000	54,773	--	--	54,773	(227)
Retirement costs	334,015	333,214	--	--	333,214	(801)
Legal and accounting	21,000	18,131	--	--	18,131	(2,869)
Fire prevention	28,300	4,053	--	--	4,053	(24,247)
Treasurer's expenses	850	800	--	--	800	(50)
Wages, payroll taxes, and insurance	1,391,989	1,390,334	--	--	1,390,334	(1,655)
Health and safety programs	25,000	19,106	--	--	19,106	(5,894)
Other supplies and miscellaneous	32,300	8,484	--	--	8,484	(23,816)
Operating expenses:						
Utilities	105,000	108,205	--	--	108,205	3,205
Gasoline and oil	47,000	37,703	--	--	37,703	(9,297)
Fire school, fire fighting, and training supplies	20,125	18,605	--	--	18,605	(1,520)
Other supplies and miscellaneous	17,200	22,551	--	--	22,551	5,351
Training academy	10,000	50,772	--	--	50,772	40,772
Repairs and maintenance expenses:						
Vehicles	112,000	113,601	--	--	113,601	1,601
Buildings	40,000	44,681	--	--	44,681	4,681
Communication equipment	3,100	1,819	--	--	1,819	(1,281)
Fire fighting equipment	27,000	20,230	--	--	20,230	(6,770)
Personnel equipment	500	8,699	--	--	8,699	8,199
Debt service:						
Principal payments	452,679	--	415,146	--	415,146	(37,533)
Interest payments	52,625	--	49,385	--	49,385	(3,240)
Total expenditures	\$ 2,908,997	\$ 2,382,217	\$ 464,531	\$ --	\$ 2,846,748	\$ (62,249)
Excess (deficiency) of revenues over expenditures	(124,078)	457,485	(464,531)	--	(7,046)	117,032
Other financing sources (uses)						
Transfers from other funds	\$ 189,858	\$ --	\$ 463,627	\$ --	\$ 463,627	\$ 273,769
Transfers to other funds	(65,780)	(414,541)	--	(49,086)	(463,627)	(397,847)
Total other financing sources (uses)	\$ 124,078	\$ (414,541)	\$ 463,627	\$ (49,086)	\$ --	\$ (124,078)
Net change in fund balances	\$ --	42,944	(904)	(49,086)	(7,046)	\$ (7,046)
Fund balances, beginning of year		1,862,988	244,537	49,086	2,156,611	
Fund balances, end of year		\$ 1,905,932	\$ 243,633	\$ --	2,149,565	

The Notes to Combined Financial Statements are an integral part of this statement.

FERN CREEK FIRE PROTECTION DISTRICT

**RECONCILIATION OF THE COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE
COMBINED STATEMENT OF ACTIVITIES**

June 30, 2015

Net change in fund balances - total government funds \$ (7,046)

Total net position reported for governmental activities in the statement of activities is
different because:

Governmental funds report capital outlays as expenditures. However in the combined statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$311,855) exceeded capital outlays (\$98,273) in the current period.

(213,582)

Governmental funds report the proceeds from the sale capital assets as revenue. However, in the combined statement of activities, depreciation is subtracted from the assets original cost and proceeds from the disposal are compared to the assets net book value. There were no proceeds from the disposal and the assets net book value was \$3,045.

(3,045)

Governmental funds report the District's pension plan contributions (\$316,133) as expenditures. However, in the combined statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense (\$160,000).

156,133

Capital additions were financed through capital leases and notes. In governmental funds these types of financing are considered a source and use of financing, but in the combined statement of net position, these obligations are reported as a liability. Therefore, principal payments on these obligations are not considered an expense in the statement of activities.

415,146

Change in net position of governmental activities

\$ 347,606

The Notes to Combined Financial Statements are an integral part of this statement.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Nature of Operations and Significant Accounting Policies

Nature of operations

The Fern Creek Fire Protection District is a Special Taxing District under Commonwealth of Kentucky law and was established for the purpose of providing fire protection and fire prevention services to the citizens and property owners within its geographic coverage area. The Fern Creek Fire Protection District Holding Company, Inc. is a non-profit corporation which principally finances property and equipment acquisitions.

The combined financial statements include the accounts of the Fern Creek Fire Protection District and the Fern Creek Fire Protection District Holding Company, Inc. (collectively, the District). The District is responsible for its debts and is entitled to surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the District. The District is exempt from income taxes. Any significant intercompany transactions and balances have been eliminated in combination.

Management's Use of Estimates

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

Combined Government-Wide Financial Statements

In accordance with GASB, the District has presented a combined statement of net position and a combined statement of activities for the District as a whole. These statements include the primary government and its component units, if applicable. Government-wide accounting is designed to provide a more comprehensive view of the District's operations and financial position as a single economic entity.

Government-wide statements distinguish between governmental-type and business type activities. Governmental-type activities are those financed through taxes, intergovernmental revenues, and other non-exchange revenues and are usually reported in governmental and internal service funds. The District has no business-type activities.

Policies specific to the government-wide statements are as follows

Capitalizing Assets – Tangible assets used in operations with an initial useful life that extends beyond one year are capitalized. Capital assets are recorded at their historical cost and are depreciated using the straight-line method of depreciation over their estimated useful lives. They are reported net of accumulated depreciation on the combined statements of net position.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Combined Fund Financial Statements

The District uses funds to report on its financial position and the result of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate entity with a self-balancing set of accounts. Funds of the District are classified as governmental. This category, in turn, is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

Governmental Funds – Governmental funds account for all or most of the District's general activities, including the collection of legally restricted monies, administrative expenses, and the acquisition or construction of capital assets. Governmental funds include:

General Fund – The general operating fund of the District accounts for all financial resources, except those required to be accounted for in other funds.

Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on general long-term debt associated with capital assets of the District.

Post-Employment Retirement Fund – This fund accounts for the resources accumulated and payments made to current and former firefighters previously included in the Length of Service Retirement Plan.

Measurement Focus and Basis of Accounting

The accounting and financial treatment applied to a fund is determined by the type of financial statement presentation.

The combined government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows in the statement of activities. In these combined financial statements, capital assets are reported and depreciated in each fund.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the combined balance sheet. 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Expenditures for capital assets are reported as current expenses, and such assets are not depreciated.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Nature of Operations Significant Accounting Policies (Continued)

Budgetary Accounting

The budget information reflected in the combined financial statements is the annual budget adopted by the District in accordance with the provisions of the Commonwealth of Kentucky law. The budget is prepared on a basis consistent with Generally Accepted Accounting Principles (GAAP).

Cash

Cash include cash on-hand and highly liquid investments with an original maturity date of three months or less from the date of acquisition.

Investments

Investments consist of certificates of deposit and are stated at cost plus accrued interest which approximates fair value.

Capital assets and land

Capital assets and land, including buildings and improvements, and equipment, are reported in the governmental activity column in the combined government-wide financial statements. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

All capital assets are depreciated using the straight-line depreciation method over the following estimated useful lives:

Buildings and improvements	50 years
Light duty apparatus	10 to 25 years
Major fire fighting apparatus	25 years
Vehicles	10 years
Equipment	5 to 15 years

Net Position/Fund Balances

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

Net Investment 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.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Net Position/Fund Balances (continued)

Restricted— Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District had no restricted amounts as of June 30, 2015.

Unrestricted — This category represents net position not appropriated for expenditures or legally segregated for a specific future use.

In the combined 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:

Nonspendable — These resources include amounts that cannot be spent because they are either not spendable in form or legally or contractually required to be maintained intact. The District's nonspendable funds consisted of prepaid expenses as of June 30, 2015.

Restricted — Amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation. The District had funds restricted for debt service as of June 30, 2015.

Assigned — Includes 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 assigned funds for vehicle replacement, building maintenance, training, equipment, volunteer fund and future payroll costs as of June 30, 2015.

Unassigned — Includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

It is policy of the District to spend restricted funds first when both restricted and unrestricted are available. Once restricted funds are spent then committed, assigned and unassigned funds are spent in that order.

Compensated Absences

All unpaid, compensated absences that will be liquidated with expendable available resources have been accrued as a liability in the general fund. In the combined government-wide statement of net position, the total amount of unpaid, compensated absences is reported within accrued wages and benefits. Earned vacation pay may be paid upon termination of employment.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future years and will not be recognized as an expense or expenditure until then. The District has one item that meets this criterion, contributions made to the pension plan during the year ended June 30, 2015. Deferred inflows of resources represent an acquisition of net position that applies to future years and will not be recognized until then. The District has one item that meets this criterion, differences between projected and actual investment earnings on pension plan investments.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement Systems (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of District employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Revenue Recognition – Property Taxes

The District determines the property tax rate by September 1 of each year. The Jefferson County Sheriff collects substantially all real estate property tax revenues and remits monthly to the District its portion, less applicable discounts and collection fees.

The Jefferson County Clerk collects substantially all motor vehicle and delinquent real estate taxes and remits them monthly to the District.

Note 2. Deposits and Investments

Deposits

The District maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), 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.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a written deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2015, all deposits were covered by FDIC insurance or properly executed security agreement.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investments

As of June 30, 2015, the District's investment balances were as follows:

	<u>Maturity</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Certificates of deposit:			
Interest rate of 0.85%	December 2015	\$ 150,725	\$ 150,725
Interest rate of 0.85%	March 2016	100,260	100,260
Interest rate of 0.55%	August 2015	251,377	251,377
Interest rate of 0.35%	February 2017	45,628	45,628
Interest rate of 0.30%	February 2016	250,000	250,000
		<u>\$ 797,990</u>	<u>\$ 797,990</u>

Interest Rate Risk – The District does not have a formal written investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changes in interest rates.

Credit Risk – Commonwealth of Kentucky law under KRS 66.480, limits investments to obligations of the United States Government, obligations backed by the full faith and credit of the United States Government, obligations of any corporation or agency of the United States Government, certificates of deposits, commercial paper, bonds or securities issued by a state or local government, and shares of mutual funds. The District has no written investment policy that would further limit its investment choices as they are defined in KRS 66.480.

Concentration of Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District places no limit on the amount the District may invest in any one issuer.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of failure of the counterparty or bank, the District will not be able to recover the value of its investments held in the possession of an outside party. Consistent with the District's investment policy as of June 30, 2015, all investments were covered by FDIC insurance or a properly executed collateral security agreement.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Land and buildings	\$ 4,325,504	\$ --	\$ --	\$ 4,325,504
Vehicles and fire fighting equipment	4,306,689	78,648	--	4,385,337
Communications and other equipment	1,090,203	19,625	(3,205)	1,106,623
Total cost	<u>\$ 9,722,396</u>	<u>\$ 98,273</u>	<u>\$ (3,205)</u>	<u>\$ 9,817,464</u>
Less accumulated depreciation for:				
Buildings	\$(1,735,106)	\$ (89,527)	\$ --	\$(1,824,633)
Vehicles and fire fighting equipment	(2,664,144)	(186,368)	--	(2,850,512)
Communications and other equipment	(971,064)	(35,960)	160	(1,006,864)
Total accumulated	<u>\$(5,370,314)</u>	<u>\$ (311,855)</u>	<u>\$ 160</u>	<u>\$(5,682,009)</u>
Net book value	<u>\$ 4,352,082</u>	<u>\$ (213,582)</u>	<u>\$ (3,045)</u>	<u>\$ 4,135,455</u>

The net book value of capital assets financed through capital leases was \$1,017,285 at June 30, 2015.

Note 4. Long-Term Debt

Capital Lease Obligations

The District finances certain buildings and firefighting equipment acquisitions under capital lease agreements expiring through 2024. The assets and liabilities on the capital lease are recorded at the fair value of the assets and are depreciated over the estimated productive life of the asset which is generally longer than the lease term.

Interest Rate Swap

In April 2008, the District entered into a finance lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the original amount of \$850,000 for the purchase of a new fire apparatus. The rate in the lease was fixed at 4.013% through the use of an interest rate swap between the trustee and a third party financial institution, whereby the third party financial institution pays the trustee the variable rate interest within the swap (which is equivalent to the variable rate within the lease) and the District pays the fixed rate stated by the swap. The trustee has the right to charge any costs associated with the interest rate swap, including costs associated with the termination of the swap, to the District through additional future rentals.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 4. Long-Term Debt (Continued)

Interest Rate Swap (continued)

The swap became effective on the date that the District exercised its option to convert the variable interest rate in the lease to a fixed rate. The notional amount of the swap at that exercised date was equivalent to the then outstanding principal balance. The notional amount reduces over the term of the lease by the same amount as the principal payments on the lease, as they fall due. The swap terminates on the same date as the final principal payment is due on the lease.

The interest rate swap in effect as of June 30, 2015 is as follows:

	<u>Effective Date</u>	<u>Termination Date</u>	<u>Notional Amount at June 30, 2015</u>	<u>Settlement Value at June 30, 2015</u>
Fire Apparatus	April 24, 2008	January 28, 2018	<u>\$ 290,000</u>	<u>\$ (13,418)</u>

The settlement value of (\$13,418) at June 30, 2015 represents the trustee's settlement cost that would be paid to the third party financial institution if the swap agreement was to be terminated. The settlement value above is calculated using the zero-coupon rate and is considered by the District to represent the fair value of the interest rate swap at June 30, 2015. The variable rate on the swap is the USD-BMA Municipal Swap Index.

The swap exposes the District to the following risks that could give rise to additional rentals:

Credit risk: Credit risk is the risk that the third party financial institution will not fulfill its obligations to pay the variable rate interest. The third party financial institution party to the interest rate swap has a credit quality of A. The value of the transaction to the District depends upon the third party financial institution maintaining its perceived creditworthiness in the municipal marketplace and fulfilling its obligation under the interest rate swap agreement. Should the third party financial institution fail to fulfill its obligation, the District will be required to pay additional rentals for any costs associated with terminating the swap agreement.

Basis risk: Basis risk is a term used to refer to a mismatch in the source of the variable interest rates in the lease agreement and the swap agreement. When an agency uses an interest rate swap agreement in conjunction with a variable rate debt instrument, the variable rate index used to calculate the payments due under the swap agreement (in this case, the USD-BMA Municipal Swap Index) may not match the rate at which the variable rate debt is remarketed (the interest rate on KACoLT's variable rate bonds, which is reset on a daily basis). This mismatch could potentially be magnified if KACoLT were to administer the program in such a way that the underlying bonds were determined to be taxable obligations, which would be considered an event of default according to the terms of the letter of credit agreement.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 4. Long-Term Debt (Continued)

Interest Rate Swap (continued)

Termination risk: Termination risk is the risk that a derivative's unscheduled end will affect the District's asset/liability strategy or will present the District with potentially significant unscheduled termination payments to the trustee. For example, the District relies on the interest rate swap to insulate it from the possibility of increasing interest rate payments. If the swap has an unscheduled termination, that benefit would not be available. The District would also be required to pay any costs associated with terminating the swap agreement.

Market access risk: Market access risk is the risk that the District will not be able to enter credit markets or credit will become more costly. If the District is required to pay additional rentals or be required to pay higher variable rates, additional debt could become more expensive. The District may also be required to pay additional rentals for fees relating to any letters of credit being used to collateralize the interest rate swap. Furthermore, if the interest rates in the municipal bond market were to decrease and the District wanted to refinance the debt at a lower interest rate, the District would first have to terminate the swap agreement. When the interest rate swap agreement is terminated prior to the contract's maturity, one party to the agreement will owe the other party a termination payment that reflects the value of the swap under current market conditions. It is likely that if rates have decreased to the extent that the District would want to refinance the debt, the District would be the party that would have to make a termination payment. The use of the interest rate swap agreement may limit the District's flexibility in managing the lease obligation going forward.

Summary

A summary of the District's long-term debt activity is as follows:

	June 30, 2014	Increases	Decreases	June 30, 2015
Note Payable	\$ 728,747	\$ --	\$ (275,146)	\$ 453,601
Capital lease obligations	854,167	--	(140,000)	714,167
Total long-term debt	<u>\$ 1,582,914</u>	<u>\$ --</u>	<u>\$ (415,146)</u>	<u>\$ 1,167,768</u>

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 4. Long-Term Debt (Continued)

Summary (continued)

A summary of the District's long-term debt payments (principal, interest and fees), excluding any additional rentals resulting from the interest rate swap, at June 30, 2015, is as follows:

	KACoLT Dated April 21, 2008 Interest Rate 4.013%	Kentucky Bond Corporation Dated November 18, 2012 Interest Rate 2.00% - 2.25%	Republic Bank Loan Dated August 27, 2013 Interest Rate 3.740%	Total
Fiscal year				
2016	105,284	60,181	53,569	219,034
2017	101,712	61,140	53,569	216,421
2018	102,633	60,801	53,569	217,003
2019	--	58,777	338,272	397,049
2020-2025	--	240,374	--	240,374
Total	<u>\$ 309,629</u>	<u>\$ 481,273</u>	<u>\$ 498,979</u>	<u>\$ 1,289,881</u>

The present value of the minimum debt service payments on the remaining \$714,167 capital lease obligations at June 30, 2015, is summarized as follows:

Minimum debt service payments	\$ 790,902
Less interest	<u>(76,735)</u>
Present value, debt service payment	<u>\$ 714,167</u>

Note 5. Retirement Plans

New Accounting Principle

Effective July 1, 2014, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement requires the liability of employers, such as the District, to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. Net position of the District has been restated for the cumulative effect of the adoption of this statement as follows:

Net pension liability as of July 1, 2014	\$ (2,408,234)
Deferred outflows - District's 2014 pension contributions	308,234
Cummulative effect of adoption	<u>\$ (2,100,000)</u>

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 5. Retirement Plans (Continued)

Pension Plan

Plan Description: The District has elected to participate in the County Employees Retirement System (CERS), pursuant to Kentucky Revised Statute 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute. Historical trend information showing CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at 502-696-8800.

Benefits Provided: Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

Contributions: Nonhazardous covered employees are required to contribute 5.00% of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6.00% of their salary to the plan. The District's contribution rate for nonhazardous employees was 17.67%, 18.89%, and 19.55% for the years ended June 30, 2015, 2014 and 2013, respectively.

Hazardous covered employees are required to contribute 8.00% of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9.00% of their salary to be allocated as follows: 8.00% will go to the member's account and 1.00% will go to the Kentucky Retirement Systems insurance fund. The District's contribution rate for hazardous employees was 34.31%, 35.70%, and 37.60% for the years ended June 30, 2015, 2014 and 2013, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2015, the District reported a liability of \$2,057,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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 employers, actuarially determined. At June 30, 2014, the District's proportion was 0.17% for hazardous covered employees and .0023% for nonhazardous covered employees.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 5. Retirement Plans (Continued)

Pension Plan (continued)

Pension expense totaled \$160,000 for the year ended June 30, 2015. As of June 30, 2015, the District had deferred outflows and inflows of resources related to its pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ --	\$ 203,000
District contributions subsequent to the measurement date	316,133	--
	<u>\$ 316,133</u>	<u>\$ 203,000</u>

The District's deferred outflows of resources totaling \$316,133 will be recognized as a reduction of the net pension liability during the year ending June 30, 2016. Amounts reported as deferred inflows of resources as of June 30, 2015 will be recognized into pension expense as follows:

Year Ending June 30:

2016	\$ 40,600
2017	40,600
2018	40,600
2019	40,600
2020	40,600
	<u>\$ 203,000</u>

Actuarial assumptions: The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to years included in the measurement:

Inflation:	3.5%
Salary increases:	4.5%, average, including inflation
Investment rate of return:	7.75%, net of pension plan investment expense, including inflation

The rates of mortality for the year after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 5. Retirement Plans (Continued)

Pension Plan (continued)

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2005 through June 30, 2008.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. 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 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
Domestic Equity	30%	8.45%
International Equity	22%	8.85%
Emerging Market Equity	5%	10.50%
Private Equity	7%	11.25%
Real Estate	5%	7.00%
Core US Fixed Income	10%	5.25%
High Yield US Fixed Income	5%	7.25%
Non US Fixed Income	5%	5.50%
Commodities	5%	7.75%
TIPS	5%	5.00%
Cash	1%	3.25%
	<u>100%</u>	

Discount rate: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 5. Retirement Plans (Continued)

Pension Plan (continued)

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 7.75%, 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease - 6.75%	Current Discount Rate - 7.75%	1% Increase - 8.75%
Net Pension Liability - Hazardous	\$ 2,618,880	\$ 1,984,000	\$ 1,428,480
Net Pension Liability - Non-hazardous	95,630	73,000	54,020
Total Net Pension Liability	<u>\$ 2,714,510</u>	<u>\$ 2,057,000</u>	<u>\$ 1,482,500</u>

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued KRS financial report.

Deferred Compensation Plans

The District's employees may elect to participate in two deferred compensation plans offered by the Kentucky Public Employees Deferred Compensation Authority under sections 401(k) and 457 of the Internal Revenue Code. Under these plans, employees may defer up to 100% of their compensation after deducting required contributions to the CERS plan. The District does not make matching contributions to these plans.

Note 6. District Revenue Profile

An eight year summary of the District's assessed property and revenue collected is as follows:

Fiscal Year	Tax Rate	Real Estate Assessed Valuation	Motor Vehicle Assessed Valuation	Boat Assessed Valuation	Tax Revenue Budgeted	Tax Revenue Collected	Tax Collection Percentage
2007-2008	0.10	2,131,988,395	190,488,112	4,385,852	2,245,000	2,370,781	1.06
2008-2009	0.10	2,241,547,165	203,589,580	4,588,492	2,405,000	2,413,003	1.00
2009-2010	0.10	2,306,129,395	182,836,413	4,635,895	2,505,000	2,502,645	1.00
2010-2011	0.10	2,333,066,495	194,233,773	4,874,482	2,575,000	2,570,046	1.00
2011-2012	0.10	2,343,155,345	203,354,423	4,641,651	2,621,000	2,584,267	0.99
2012-2013	0.10	2,360,721,217	216,147,725	4,620,529	2,621,000	2,621,898	1.00
2013-2014	0.10	2,392,780,857	224,847,872	4,707,811	2,645,000	2,646,408	1.00
2014-2015	0.10	2,438,782,312	235,174,822	4,684,657	2,665,000	2,711,820	1.02

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 6. District Revenue Profile (Continued)

<u>Fiscal Year</u>	<u>Real Estate Assessed Valuation</u>	<u>Number of Taxpayer Accounts</u>	<u>Average Assessment</u>
2007-2008	\$ 2,131,988,395	13,306	\$ 160,228
2008-2009	2,241,547,165	13,660	164,096
2009-2010	2,306,129,395	13,788	167,256
2010-2011	2,333,066,495	13,786	169,234
2011-2012	2,343,155,345	13,909	168,463
2012-2013	2,360,721,217	13,935	169,409
2013-2014	2,392,780,857	13,960	171,403
2014-2015	2,438,782,312	14,021	173,938

**FERN CREEK FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF DISTRICT'S SHARE OF
NET PENSION LIABILITY**

	<u>2014</u>
NON-HAZARDOUS	
District's proportion of net pension liability	.0023%
District's proportionate share of the net pension liability	\$ 73,000
District's covered-employee payroll	\$ 51,805
District's proportionate share of the net pension liability as a percentage of its employee-covered payroll	140.91%
Plan Fiduciary net position as a percentage of the total pension liability	66.80%
HAZARDOUS	
District's proportion of net pension liability	.17%
District's proportionate share of the net pension liability	\$ 1,984,000
District's covered-employee payroll	\$ 871,354
District's proportionate share of the net pension liability as a percentage of its employee-covered payroll	227.69%
Plan Fiduciary net position as a percentage of the total pension liability	63.46%

**FERN CREEK FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF DISTRICT CONTRIBUTIONS

	<u>2014</u>
NON-HAZARDOUS	
Contractually required contribution	\$ 9,786
Contributions in relation to the contractually required contribution	<u>(9,786)</u>
Contribution deficiency (excess)	<u>\$ - -</u>
District's covered employee-payroll	\$ 51,805
Contributions as a percentage of covered-employee payroll	18.89%
HAZARDOUS	
Contractually required contribution	\$ 298,448
Contributions in relation to the contractually required contribution	<u>(298,448)</u>
Contribution deficiency (excess)	<u>\$ - -</u>
District's covered employee-payroll	\$ 871,354
Contributions as a percentage of covered-employee payroll	34.25%



Jones, Nale & Mattingly PLC

**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 Trustees
Fern Creek Fire Protection District and
Fern Creek Fire Protection District
Holding Company, Inc.
Louisville, Kentucky

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 combined financial statements of Fern Creek Fire Protection District and Fern Creek Fire Protection District Holding Company, Inc. (the "District"), for the year ended June 30, 2015, and the related notes to the combined financial statements, and have issued our report thereon dated October 13, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the 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 opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's combined 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.

Jones, Nale & Mattingly PC

Louisville, Kentucky
October 13, 2015