

POSSUM TROT/SHARPE
Fire Protection District

AUDIT REPORT

June 30, 2017

AUDIT REPORT

of the

POSSUM TROT/SHARPE FIRE PROTECTION DISTRICT

For the fiscal year ended

JUNE 30, 2017

KIM HAM

CERTIFIED PUBLIC ACCOUNTANT

TAXES ♦ BOOKKEEPING ♦ AUDITING ♦ PAYROLL ♦ CONSULTING

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
POSSUM TROT/SARPE FIRE PROTECTION DISTRICT
39 Little Cypress Road
Calvert City, Kentucky

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities of the Possum Trot/Sharpe Fire Protection District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Possum Trot/Sharpe Fire Protection District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Possum Trot/Sharpe Fire Protection District, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

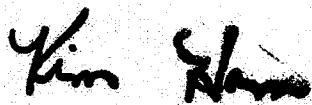
Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. My opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 16 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 17, 2017, on my consideration of the Possum Trot/Sharpe Fire Protection District's internal control over financial reporting and on my 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 my 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 Possum Trot/Sharpe Fire Protection District's internal control over financial reporting and compliance.



Benton, Kentucky
November 17, 2017

POSSUM TROT/SHARPE FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
 June 30, 2017

	Governmental Activities
ASSETS:	
Current Assets:	
Cash and cash equivalents	\$ 180,007
Receivables:	
Taxes	3,744
Other	50
Inventories	2,403
Prepaid expenses	12,783
Total Current Assets	198,987
Noncurrent Assets:	
Capital assets	1,832,791
Less: Accumulated depreciation	(1,215,959)
Total Noncurrent Assets	616,832
TOTAL ASSETS	\$ 815,819
LIABILITIES:	
Current Liabilities:	
Accounts payable	\$ 2,345
Current portion of capital lease obligations	14,170
Total Current Liabilities	16,515
Noncurrent Liabilities:	
Noncurrent portion of capital lease obligations	116,259
Total Noncurrent Liabilities	116,259
TOTAL LIABILITIES	\$ 132,774
NET POSITION:	
Net investment in capital assets	\$ 486,403
Unrestricted	
Unreserved	196,642
TOTAL NET POSITION	\$ 683,045

See Notes to Financial Statements

POSSUM TROT/SARPE FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

FUNCTIONS/PROGRAMS	Program Revenues				Net Expense (Revenue) and Changes in Net Position
	Expenses	Charges for Services	Operating	Capital	Governmental Activities
			Grants & Contributions	Grants & Contributions	
Governmental Activities:					
Public safety:					
Fire	\$ 176,201	\$ 10	\$ 67	\$ 14,200	\$ (161,924)
Total governmental activities	176,201	10	67	14,200	(161,924)
Total primary government	\$ 176,201	\$ 10	\$ 67	\$ 14,200	(161,924)
General Revenues:					
Taxes:					
Property					156,293
Interest					223
Total general revenues					156,516
Change in net position					(5,408)
Net Position at July 1, 2016					688,453
Net Position at June 30, 2017					\$ 683,045

See Notes to Financial Statements

POSSUM TROT/SARPE FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
 June 30, 2017

	General Fund
ASSETS:	
Cash and cash equivalents	\$ 180,007
Receivables	
Taxes	3,744
Other	50
Inventories	2,403
Prepays	12,783
TOTAL ASSETS	\$ 198,987
LIABILITIES AND FUND BALANCE:	
LIABILITIES:	
Accounts payable	\$ 2,345
TOTAL LIABILITIES	2,345
FUND BALANCES:	
Nonspendable - prepays	12,783
Nonspendable - inventories	2,403
Unassigned	181,456
TOTAL FUND BALANCES	196,642
TOTAL LIABILITIES AND FUND BALANCES	\$ 198,987

See Notes to Financial Statements

POSSUM TROT/SHARPE FIRE PROTECTION DISTRICT
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2017

Total fund balance per fund financial statements	\$ 196,642
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net position	616,832
Capital lease obligations and notes payable are not reported in the fund financial statement because they are not due and payable, but they are presented in the statement of net position	(130,429)
	<hr/>
Net position of governmental activities	<u>\$ 683,045</u>

See Notes to Financial Statements

POSSUM TROT/SARPE FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2017

	General Fund
REVENUES:	
Property taxes	\$ 156,293
Grant revenue	3,200
State aid	11,000
Charges for services	10
Fundraiser and donations	67
Interest	223
TOTAL REVENUES	170,793
EXPENDITURES:	
Current:	
Advertising	66
Building and grounds maintenance	1,901
Dues and subscriptions	1,683
Equipment maintenance	8,821
Gas and oil	2,400
Insurance	15,692
Internet expense	928
Meals	546
Miscellaneous	148
Office and station supplies	6,910
Professional fees	1,200
Service awards	45
Telephone	1,568
Training	21,936
Utilities	9,078
Capital outlay:	
Equipment, expansion, upgrade	66,920
Debt service:	
Note and capital lease principal payments	13,628
Note and capital lease interest payments	5,721
TOTAL EXPENDITURES	159,191
Net change in fund balance	11,602
Fund Balance, July 1, 2016	185,040
FUND BALANCE, JUNE 30, 2017	\$ 196,642

See Notes to Financial Statements

POSSUM TROT/SHARPE FIRE PROTECTION DISTRICT
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, 2017

Net change in fund balances - total governmental funds	\$	11,602
Amounts reported for governmental activities in the statement of activities are different because:		
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 and reported as depreciation expense. This is the amount by which capital outlays of \$66,920 is exceeded by depreciation of \$(97,558)		(30,638)
The proceeds of bank loans provide current financial resources to governmental funds, but acquiring debt increases liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces liabilities in the statement of net position. This is the amount of note principal payments		<u>13,628</u>
Change in net position of governmental activities	\$	<u><u>(5,408)</u></u>

See Notes to Financial Statements

POSSUM TROT/SHARPE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Possum Trot/Sharpe Fire Protection District was formed as provided in KRS 75.010. The entity is a special purpose governmental entity, and as such is exempt from income tax.

The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of the District's operations include how the budget is adopted, whether debt is secured by general obligation of the District, the District's duty to cover any deficits that may occur and supervision over the accounting functions. Based on this, the primary government of the District includes only the general fund of the fire department.

The District does not have any discretely presented component units.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all the activities of the primary government. The statement of activities outlines the direct expenses of the District's major functions and the program revenues generated by those programs. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – In fund financial statements, each fund is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures. The District reports only one fund, which is the general fund.

C. Reconciliation of Government-Wide and Fund Financial Statements

The statements include a reconciliation between fund balances in the governmental funds and net position reported in the government-wide statements. These adjustments reflect the changes necessary to report the governmental fund balances on the economic resources measurement focus and accrual basis of accounting. A similar reconciliation is included in the statements to reflect the transition from the modified accrual basis of accounting for governmental funds to the accrual basis of accounting for the statement of activities. Capital outlay is replaced with depreciation expense and principal payments are not reported as an expense.

POSSUM TROT/SHARPE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the District receives cash.

The District reports the following major governmental fund:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

E. Assets, Liabilities and Net Position or Equity

Deposits and Investments

The District's cash and cash equivalents are considered to be cash in demand deposits and savings accounts. The District did not have any investments during the year.

Prepaid Items

Prepaid items include insurance premiums which cover periods subsequent to June 30, 2017.

POSSUM TROT/SHARPE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Position or Equity (continued)

Receivables and Payables

Property tax receivable is shown at the amount collected by county fee officials through June 30, 2017 and remitted to the District thereafter for current taxes. Delinquent taxes are shown in receivables if received within 60 days after year end. Delinquent taxes not received within 60 days after year end are considered to be uncollectible. Property taxes are secured by a lien on the property, but uncollected amounts are fully reserved as of June 30.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the government-wide financial statements. In accordance with provisions of GASB 34, the District is not required to retroactively report infrastructure. Therefore, the District has elected to only report infrastructure additions from July 1, 2003 and forward.

The District's capitalization policy is to recognize capital assets as assets with an initial, individual cost of more than \$100 and an estimated useful life in excess of one year. Such assets are recorded at historical costs or estimated historical costs 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 asset lives are not capitalized.

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements, other than buildings	20
Infrastructure	40
Vehicles	10
Computer and related equipment	5
Other equipment	5-7

Long-Term Obligations

In the government-wide financial statements, long-term debt is reported as a liability in the applicable governmental activities statement of net position.

POSSUM TROT/SARPE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Position or Equity (continued)

Fund Balance Classifications

Nonspendable fund balances are amounts that are not in a spendable form (such as prepaid expenses) or are required to be maintained intact.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority which, for the District, is the Board of Directors. The Board of Directors must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

It is the District's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board, or managerial obligations, using restricted funds first, followed by committed funds, assigned, then unassigned funds.

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Use of Restricted Resources

When an expense is incurred for which there are both restricted and unrestricted net position available, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Subsequent Events

In preparing these financial statements, management has evaluated other events and transactions for potential recognition or disclosure through November 17, 2017, the date the financial statements were available to be issued.

POSSUM TROT/SHARPE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The annual budget for the general fund is adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end. The fire chief submits the budget to the Board of Trustees, which revises and adopts the budget prior to the beginning of the fiscal year. The budget is presented in summary form to minimize necessary amendments; however, it also contains more detailed line item amounts for administrative control. Amendments may be adopted during the year as necessary to comply with KRS 91A.030.

B. Budgetary Comparison of Expenditures and Revenues

For the year ended June 30, 2017, expenditures were less than appropriations in the general fund by \$809. Revenues were \$10,793 more than budgeted.

NOTE 3 - DEPOSITS AND INVESTMENTS

The District's investment policies are to invest public funds in a manner which will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of the District and conforming to all state statutes and regulations governing the investment of public funds.

Deposits

At year-end, the carrying amounts of the District's deposits were \$180,007 and the bank balances of the District's deposits were \$180,567. The entire bank balance was covered by federal depository insurance.

NOTE 4 - PROPERTY TAX

Property taxes include amounts levied against all real and public utility property, plus tangible personal property that is located within the District's boundaries. All property taxes are levied as of July 1 based on the assessment values as of the previous January 1. Property taxes are due within 60 days after mailing by the sheriff's office. After that date, a penalty is imposed.

Assessed values are established by the County Property Valuation Administrator at 100% of appraised market value. The District's tax rate applicable to the 2017 fiscal year was \$.068 per \$100 of assessed valuation for real estate and tangible personal property.

POSSUM TROT/SHARPE FIRE PROTECTION DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance June 30, 2016	Additions	Dispositions	Balance June 30, 2017
Governmental Activities:				
Historical Cost:				
Land	\$ 10,000	\$ 0	\$ 0	\$ 10,000
Land improvements	12,015	0	0	12,015
Buildings and improvements	320,601	832	0	321,433
Vehicles and equipment	1,423,255	66,088	0	1,489,343
Construction in progress	0	0	0	0
Total	<u>1,765,871</u>	<u>66,920</u>	<u>0</u>	<u>1,832,791</u>
Accumulated depreciation:				
Land improvements	5,756	511	0	6,267
Buildings and improvements	121,301	8,355	0	129,656
Vehicles and equipment	991,344	88,692	0	1,080,036
Total	<u>1,118,401</u>	<u>97,558</u>	<u>0</u>	<u>1,215,959</u>
Capital Assets, Net	<u>\$ 647,470</u>	<u>\$ (30,638)</u>	<u>\$ 0</u>	<u>\$ 616,832</u>

Depreciation expense was charged to the governmental functions as follows:

Public safety-fire department	\$ 97,558
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NOTE 6 - ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

POSSUM TROT/SARPE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017

NOTE 7 - LONG-TERM LIABILITIES

Changes during fiscal year 2017 and balances as of June 30, 2017, including the current portions, of the District were as follows:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Capital lease obligations:					
Republic First Nat'l	\$ 144,057	\$ 0	\$ 13,628	\$ 130,429	\$ 14,170
Total	<u>\$ 144,057</u>	<u>\$ 0</u>	<u>\$ 13,628</u>	<u>\$ 130,429</u>	<u>\$ 14,170</u>

Principal and interest requirements to retire the District's long-term obligations were as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2018	\$ 5,180	\$ 14,170	\$ 19,350
2019	4,617	14,732	19,349
2020	4,032	15,317	19,349
2021	3,424	15,926	19,350
2022	2,791	16,558	19,349
2023	2,134	17,216	19,350
2024	1,450	17,900	19,350
2025	739	18,610	19,349
	<u>\$ 24,367</u>	<u>\$ 130,429</u>	<u>\$ 154,796</u>

Other information on the District's long-term indebtedness is summarized below:

<u>Obligation</u>	<u>Interest</u> <u>Rate</u>	<u>Final</u> <u>Maturity</u>	<u>Principal</u> <u>Balance</u>	<u>Security</u>
Capital Leases:				
Republic First Nat'l	3.97%	11/15/24	\$ 130,429	Vehicle

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District purchases commercial insurance for coverage for these risks. Coverage consists of \$3,000,000 aggregate general liability and aggregate management liability insurance. Coverage for property risk is \$613,799 for the Possum Trot building, \$76,929 for the Sharpe building, and \$112,644 for personal property. The District also carries commercial auto liability coverage in the amount of \$1,000,000 and all vehicles carry coverage for physical damage at agreed value, actual cash value, or cost of repairs, whichever is less. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in recent years.

**REQUIRED SUPPLEMENTARY
INFORMATION**

POSSUM TROT/SARPE FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2017

	Original	Final	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES:				
Property taxes	\$ 149,000	\$ 149,000	\$ 156,293	\$ 7,293
Grant revenue	0	0	3,200	3,200
State aid	11,000	11,000	11,000	0
Charges for services	0	0	10	10
Fundraiser and donations	0	0	67	67
Interest	0	0	223	223
TOTAL REVENUES	<u>160,000</u>	<u>160,000</u>	<u>170,793</u>	<u>10,793</u>
EXPENDITURES:				
Current:				
Building, grounds, and equipment maintenance	4,000	4,000	10,722	(6,722)
Education and training	8,000	8,000	21,936	(13,936)
Public education and open house	2,000	2,000	0	2,000
Operating expenses	64,000	64,000	40,101	23,899
Firefighters' fund expenditures	0	0	163	(163)
Capital outlay:				
Miscellaneous non-specified	27,100	27,100	9,991	17,109
Apparatus portable equipment	9,900	9,900	48,668	(38,768)
Apparatus upgrade	4,000	4,000	595	3,405
Building & grounds major repair	1,000	1,000	832	168
Personnel portable/safety equipment	20,000	20,000	6,834	13,166
Debt service:				
Apparatus payments	20,000	20,000	19,349	651
TOTAL EXPENDITURES	<u>160,000</u>	<u>160,000</u>	<u>159,191</u>	<u>809</u>
Net change in fund balance	0	0	11,602	11,602
Fund Balance, July 1, 2016	<u>185,040</u>	<u>185,040</u>	<u>185,040</u>	<u>0</u>
FUND BALANCE, JUNE 30, 2017	<u><u>\$ 185,040</u></u>	<u><u>\$ 185,040</u></u>	<u><u>\$ 196,642</u></u>	<u><u>\$ 11,602</u></u>

See Notes to Financial Statements

ADDITIONAL REPORTS

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KIM HAM

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MEMBER,
American Institute
of CPAs

MEMBER,
Kentucky Society
of CPAs

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
POSSUM TROT/SHARPE FIRE PROTECTION DISTRICT
39 Little Cypress Road
Calvert City, Kentucky

I 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 of the Possum Trot/Sharpe Fire Protection District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Possum Trot/Sharpe Fire Protection District's basic financial statements, and have issued my report thereon dated November 17, 2017.

Internal Control Over Financial Reporting

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

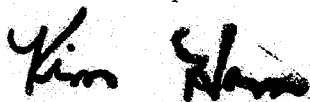
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I 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 Possum Trot/Sharpe Fire Protection District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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.



Benton, Kentucky
November 17, 2017