

GILBERTSVILLE
Fire Protection District
AUDIT REPORT

June 30, 2017

RECEIVED

MAY 17 2018

MARSHALL CO. JUDGE'S OFFICE

AUDIT REPORT

of the

**GILBERTSVILLE
FIRE PROTECTION
DISTRICT**

For the fiscal year ended

JUNE 30, 2017

KIM HAM

CERTIFIED PUBLIC ACCOUNTANT

TAXES ♦ BOOKKEEPING ♦ AUDITING ♦ PAYROLL ♦ CONSULTING

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1-2
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	3
Statement of Activities	4
Governmental Fund Financial Statements:	
Balance Sheet – Governmental Funds	5
Reconciliation of the Balance Sheet – Governmental Funds to The Statement of Net Position	6
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
NOTES TO THE BASIC FINANCIAL STATEMENTS	9-15
REQUIRED SUPPLEMENTARY INFORMATION:	
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	16
REPORT REQUIRED BY <i>GOVERNMENT AUDITING STANDARDS</i>:	
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 <i>Government Auditing Standards</i>	17-18
SCHEDULE OF COMPLIANCE AND INTERNAL CONTROL FINDINGS	19-20

75 Vine Street
Benton, KY42025

(270) 527-3628
(270) 527-2261 fax

<kimhamcpa@hotmail.com>

KIM HAM

CERTIFIED PUBLIC ACCOUNTANT

TAXES ♦ BOOKKEEPING ♦ AUDITING ♦ PAYROLL ♦ CONSULTING

MEMBER,
American Institute
of CPA's

♦
MEMBER,
Kentucky Society
of CPA's

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
GILBERTSVILLE FIRE PROTECTION DISTRICT
P.O. Box 213
Gilbertsville, Kentucky

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities of the Gilbertsville 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 Gilbertsville 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 Gilbertsville 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

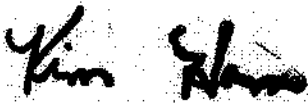
Required Supplementary Information

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 January 20, 2018, on my consideration of the Gilbertsville 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 Gilbertsville Fire Protection District's internal control over financial reporting and compliance.



Benton, Kentucky
January 20, 2018

GILBERTSVILLE FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
 June 30, 2017

	Governmental Activities
ASSETS:	
Current Assets:	
Cash and cash equivalents	\$ 90,274
Receivables:	
Taxes	3,263
Prepaid expenses	11,057
Total Current Assets	104,594
Noncurrent Assets:	
Capital assets	1,182,784
Less: Accumulated depreciation	(831,131)
Total Noncurrent Assets	351,653
TOTAL ASSETS	\$ 456,247
 LIABILITIES:	
Current Liabilities:	
Accounts payable	\$ 4,521
Current portion of note payable	23,596
Total Current Liabilities	28,117
Noncurrent Liabilities:	
Noncurrent portion of note payable	227,929
Total Noncurrent Liabilities	227,929
TOTAL LIABILITIES	\$ 256,046
 NET POSITION:	
Net investment in capital assets	\$ 100,128
Unrestricted	100,073
TOTAL NET POSITION	\$ 200,201

See Notes to Financial Statements

GILBERTSVILLE FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

	Expenses	Program Revenues Charges for Services	Net Expense (Revenue) and Changes in Net Position Governmental Activities
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Public safety:			
Fire	\$ 121,555	\$ 1,189	\$ (120,366)
Total governmental activities	121,555	1,189	(120,366)
Total primary government	\$ 121,555	\$ 1,189	(120,366)
 General Revenues:			
Taxes:			
Property			123,360
Other			168
Interest			213
Total general revenues			123,741
Change in net assets			3,375
Net Position at July 1, 2016			196,826
Net Position at June 30, 2017			\$ 200,201

See Notes to Financial Statements

GILBERTSVILLE FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
 June 30, 2017

	General Fund
ASSETS:	
Cash and cash equivalents	\$ 90,274
Receivables	
Taxes	3,263
Prepays	11,057
TOTAL ASSETS	\$ 104,594
 LIABILITIES AND FUND BALANCE:	
LIABILITIES:	
Accounts payable	\$ 4,521
TOTAL LIABILITIES	4,521
 FUND BALANCES:	
Nonspendable - prepays	11,057
Unassigned	89,016
TOTAL FUND BALANCES	100,073
TOTAL LIABILITIES AND FUND BALANCES	\$ 104,594

See Notes to Financial Statements

GILBERTSVILLE 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	\$	100,073
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		351,653
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		(251,525)
		200,201
Net position of governmental activities	\$	200,201

See Notes to Financial Statements

GILBERTSVILLE FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	<u>General Fund</u>
REVENUES:	
Property taxes	\$ 123,360
Charges for services	1,189
Interest	213
Other	168
TOTAL REVENUES	124,930
EXPENDITURES:	
Current:	
Repairs and maintenance	8,747
Insurance	18,304
Dues and subscriptions	869
Gas and oil	2,341
Miscellaneous	519
Professional fees	3,800
Operating supplies	12,568
Office expense	916
Telephone and internet	5,538
Training	15,297
Utilities	3,844
Capital outlay:	
Building, equipment, expansion, upgrade	284,785
Debt service:	
Note principal payments	21,164
Note interest payments	15,074
TOTAL EXPENDITURES	393,766
Excess (deficit) of revenues over (under) expenditures before other financing sources (uses)	(268,836)
OTHER FINANCING SOURCES (USES):	
Proceeds from note payable	145,460
TOTAL OTHER FINANCING SOURCES (USES)	145,460
Net change in fund balance	(123,376)
Fund Balance, July 1, 2016	223,449
Fund Balance, June 30, 2017	\$ 100,073

See Notes to Financial Statements

GILBERTSVILLE 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	\$ (123,376)
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 \$284,785 exceeds depreciation of \$(33,738).	251,047
The proceeds of debt issuances provide current financial resources to governmental funds, but issuing 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 by which note proceeds of \$(145,460) exceeds debt repayments of \$21,164.	(124,296)
Change in net position of governmental activities	<u><u>\$ 3,375</u></u>

See Notes to Financial Statements

GILBERTSVILLE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Gilbertsville 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.

GILBERTSVILLE 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.

GILBERTSVILLE 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 previously used to record assets in the General Fixed Assets Account Group is now being used by the Governmental Funds, which 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 is 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	5-10
Computer and related equipment	5
Other equipment	5-10

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.

GILBERTSVILLE 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 January 20, 2018, the date the financial statements were available to be issued.

GILBERTSVILLE 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. Excess Expenditures and Revenues

For the year ended June 30, 2017, expenditures exceeded appropriations in the general fund by \$260,616, mainly due to capital outlay expenditures for a new fire truck not being budgeted. Revenues were \$136,390 more than budgeted, mainly due to note proceeds for the new fire truck not being 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 \$90,274 and the bank balances of the District's deposits were \$90,567. 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 \$.075 per \$100 of assessed valuation for real estate and tangible personal property.

GILBERTSVILLE 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:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2017</u>
Governmental Activities:				
Historical Cost:				
Building & improvements	\$ 140,515	\$ 619	\$ 0	\$ 141,134
Vehicles & equipment	<u>757,484</u>	<u>284,166</u>	<u>0</u>	<u>1,041,650</u>
Total	<u>897,999</u>	<u>284,785</u>	<u>0</u>	<u>1,182,784</u>
Accumulated depreciation:				
Building & improvements	74,561	3,521	0	78,082
Vehicles & equipment	<u>722,832</u>	<u>30,217</u>	<u>0</u>	<u>753,049</u>
Total	<u>797,393</u>	<u>33,738</u>	<u>0</u>	<u>831,131</u>
Capital Assets, Net	<u>\$ 100,606</u>	<u>\$ 251,047</u>	<u>\$ 0</u>	<u>\$ 351,653</u>

Depreciation expense was charged to the governmental functions as follows:

Public safety-fire department	\$33,738
-------------------------------	----------

NOTE 6 - LONG-TERM LIABILITIES

On August 22, 2016, the District obtained a promissory note from a local bank in the amount of \$145,460 for the purchase of a new fire truck. The note is a variable interest rate loan. For the first 10 semi-annual payments, the rate is 5.5%. Thereafter the interest is subject to change annually based on changes to the lender's prime rate index. Payments of \$7,120.26 began October 30, 2016 and are due each April 30th and October 30th thereafter until the final payment at maturity on April 30, 2031. 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:					
Note Payable:					
CFSB 1	\$ 127,229	\$ 0	\$ 13,054	\$ 114,175	\$ 13,872
CFSB 2	<u>0</u>	<u>145,460</u>	<u>8,110</u>	<u>137,350</u>	<u>9,724</u>
Total	<u>\$ 127,229</u>	<u>\$ 145,460</u>	<u>\$ 21,164</u>	<u>\$ 251,525</u>	<u>\$ 23,596</u>

**GILBERTSVILLE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

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

Year Ended <u>June 30</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2018	\$ 11,762	\$ 23,596	\$ 35,358
2019	12,575	21,903	34,478
2020	11,341	23,138	34,479
2021	9,975	24,504	34,479
2022	8,560	25,919	34,479
2023-2027	23,411	86,615	110,026
2028-2031	5,413	45,850	51,263
	<u>\$ 83,037</u>	<u>\$ 251,525</u>	<u>\$ 334,562</u>

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

<u>Obligation</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Principal Balance</u>	<u>Security</u>
Note Payable:				
CFSB 1	5.75%	04/30/24	\$ 114,175	Fire truck
CFSB 2	5.50%	04/30/31	137,350	Fire truck

NOTE 7 - 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.

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. Coverage for property risk is \$5,408 for personal property and \$640,086 for the buildings. 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**

GILBERTSVILLE 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	\$ 120,000	\$ 120,000	\$ 123,360	\$ 3,360
State aid	8,000	8,000	0	(8,000)
Charges for services	0	0	1,189	1,189
Interest	0	0	213	213
Other	6,000	6,000	168	(5,832)
TOTAL REVENUES	<u>134,000</u>	<u>134,000</u>	<u>124,930</u>	<u>(9,070)</u>
EXPENDITURES:				
Current:				
Advertising	250	250	0	250
Board member fees	1,500	1,500	0	1,500
Repairs and maintenance	8,000	8,000	8,747	(747)
Insurance	16,000	16,000	18,304	(2,304)
Dues and subscriptions	400	400	869	(469)
Gas and oil	5,000	5,000	2,341	2,659
Miscellaneous	0	0	519	(519)
Professional fees	0	0	3,800	(3,800)
Operating supplies	4,500	4,500	12,568	(8,068)
Office expense	2,000	2,000	916	1,084
Training and travel and fire runs	19,500	19,500	15,297	4,203
Utilities and telephone	7,000	7,000	9,382	(2,382)
Capital outlay:				
Building, equipment, expansion, upgrade	14,000	14,000	284,785	(270,785)
Debt service:				
Note payments	55,000	55,000	36,238	18,762
TOTAL EXPENDITURES	<u>133,150</u>	<u>133,150</u>	<u>393,766</u>	<u>(260,616)</u>
Excess (deficit) of revenues over (under) expenditures before other financing sources (uses)	<u>850</u>	<u>850</u>	<u>(268,836)</u>	<u>(269,686)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from note payable	0	0	145,460	145,460
TOTAL OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>0</u>	<u>145,460</u>	<u>145,460</u>
Net change in fund balance	850	850	(123,376)	(124,226)
Fund Balance, July 1, 2016	<u>223,449</u>	<u>223,449</u>	<u>223,449</u>	<u>0</u>
FUND BALANCE, JUNE 30, 2017	<u>\$ 224,299</u>	<u>\$ 224,299</u>	<u>\$ 100,073</u>	<u>\$ (124,226)</u>

See Notes to Financial Statements

ADDITIONAL REPORTS

75 Vine Street
Benton, KY42025

(270) 527-3628
(270) 527-2261 fax

<kimhamcpa@hotmail.com>

KIM HAM

CERTIFIED PUBLIC ACCOUNTANT

MEMBER,
American Institute
of CPA's

MEMBER,
Kentucky Society
of CPA's

TAXES ♦ BOOKKEEPING ♦ AUDITING ♦ PAYROLL ♦ CONSULTING

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
GILBERTSVILLE FIRE PROTECTION DISTRICT
7584 Moors Camp Highway
Gilbertsville, 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 Gilbertsville 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 Gilbertsville Fire Protection District's basic financial statements, and have issued my report thereon dated January 20, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Gilbertsville 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 Gilbertsville Fire Protection District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Gilbertsville 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of compliance and internal control findings as reference numbers 2017-001 and 2017-002 that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Gilbertsville 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of compliance and internal control findings as reference numbers 2017-003 and 2017-004.

Gilbertsville Fire Protection District's Response to Findings

Gilbertsville Fire Protection District's response to the findings identified in my audit is described in the accompanying schedule of compliance and internal control findings. Gilbertsville Fire Protection District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

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
January 20, 2018

GILBERTSVILLE FIRE PROTECTION DISTRICT
SCHEDULE OF COMPLIANCE AND INTERNAL CONTROL FINDINGS
JUNE 30, 2017

I. INTERNAL CONTROL FINDINGS

2017-001. Controls Over Disbursements

Condition: Excluding pay for fire runs, supporting documentation could not be located for approximately 10% of the disbursements. Several others were supported by statements, but were missing some of the detailed invoices.

Criteria: Statement on Auditing Standards (SAS 115) states that a control deficiency exists when an entity does not have controls in place which would prevent or detect a misstatement in the financial statements.

Cause and Effect: Detail documentation has not been required prior to making payment. Without having the detail, it is not always possible to know what was purchased or who authorized the purchase.

Recommendation: Detailed invoices or receipts should be obtained prior to making the disbursement of funds. Credit card and store charge statements should include all detail tickets with the statement to show what was purchased and who signed the tickets.

Management's Response: We will discuss this recommendation and emphasize the need for anyone making purchases to turn in the detail tickets to the treasurer to match with the statements.

2017-002. Financial Reports

Condition: The financial reports provided to us were sometimes missing activity that occurred during the month. When trying to add the beginning balance on the report to the monthly inflows and subtracting the monthly outflows, the ending balance would often be different from the beginning balance on the next monthly report.

Criteria: The board must have accurate financial information in order to make sound decisions.

Cause and Effect: The monthly reports may have been prepared before all checks had been written or all deposits had been made, causing the ending balances to be incorrect. When balancing the cash activity, we noted the overall difference for the year was approximately \$15,000, with the largest difference being two deposits that were not listed on the monthly printouts.

Recommendation: Monthly reports should include all activity for the month and the ending cash balance for each month should match the bank reconciliation.

Management's Response: We will discuss this recommendation and will make every effort to include all activity on monthly reports.

GILBERTSVILLE FIRE PROTECTION DISTRICT
SCHEDULE OF COMPLIANCE AND INTERNAL CONTROL FINDINGS
JUNE 30, 2017

II. COMPLIANCE FINDINGS

2017-003. Budgets

Condition: The expenditures for the year exceeded the budgeted appropriations by a material amount.

Criteria: Kentucky laws prohibit governmental entities, including taxing districts, to spend more than the amount appropriated for the year.

Cause and Effect: There are no year-to-date financial reports included in the board packet each month; therefore, the board cannot easily compare amounts to the budget. This caused the budget to be exceeded, mainly in the line item for capital outlay.

Recommendation: Monthly financial reports should include totals spent for each budget line item for the month and year-to-date so that the board can take action to amend the budget when it becomes apparent that the total appropriation amount will be exceeded.

Management's Response: We will discuss this at the next meeting.

2017-004. Audits

Condition: The last audit was for the fiscal year ended June 30, 2011.

Criteria: KRS 65.065 requires the board to provide for the performance of an audit once every four years when the revenues from all sources are less than \$400,000. The audit is required to be submitted to the Department for Local Government within twelve months of the fiscal year end.

Cause and Effect: The district is in violation of KRS 65.065 by not having an audit performed for fiscal year ended June 30, 2015.

Recommendation: The board should keep track of due dates for various financial reporting obligations.

Management's Response: We will discuss this at the next meeting and will make every effort to comply with the KRS in the future.