

**EAST MARSHALL**  
**Fire Protection District**  
**AUDIT REPORT**  
*June 30, 2018*

**RECEIVED**  
**JAN 22 2019**  
**MARSHALL CO. JUDGE'S OFFICE**

# **AUDIT REPORT**

*of the*

# **EAST MARSHALL FIRE PROTECTION DISTRICT**

*For the fiscal year ended*

**JUNE 30, 2018**

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**KIM HAM**

**CERTIFIED PUBLIC ACCOUNTANT**

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American Institute  
of CPA's

MEMBER,  
Kentucky Society  
of CPA's

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
**EAST MARSHALL FIRE PROTECTION DISTRICT**  
7584 Moors Camp Highway  
Gilbertsville, Kentucky

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

I have audited the accompanying financial statements of the governmental activities of the East Marshall Fire Protection District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the East Marshall 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 East Marshall Fire Protection District, as of June 30, 2018, 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***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and on page 20 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 December 28, 2018, on my consideration of the East Marshall 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 solely 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 the effectiveness of the East Marshall Fire Protection District's 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 East Marshall Fire Protection District's internal control over financial reporting and compliance.



Benton, Kentucky  
December 28, 2018

EAST MARSHALL FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2018

Our discussion and analysis of the East Marshall Fire Protection District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the District's basic financial statements.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally financed by local property taxes and state grants. The governmental activities of the District include general operations of the fire department.

**FUND FINANCIAL STATEMENTS.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has only a governmental fund, as no other categories of funds apply to it.

In governmental funds the focus is on how money flows into and out of the funds and the balances left at year-end that are available for spending and are normally supported by taxes and intergovernmental revenues. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances.

**NOTES TO THE FINANCIAL STATEMENTS**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

EAST MARSHALL FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2018

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The District's condensed comparative financial information from the government-wide financial statements follows:

	<b>Net Position for the Period Ending</b>	
	<b>June 30, 2018</b>	<b>June 30, 2017</b>
Current Assets	\$ 204,471	\$ 146,581
Noncurrent Assets	<u>2,081,604</u>	<u>2,204,997</u>
<b>Total Assets</b>	<b><u>2,286,075</u></b>	<b><u>2,351,578</u></b>
Current Liabilities	47,031	45,439
Noncurrent Liabilities	<u>957,685</u>	<u>1,013,030</u>
<b>Total Liabilities</b>	<b><u>1,004,716</u></b>	<b><u>1,058,469</u></b>
Net Investment in Capital Assets	1,082,524	1,153,003
Unrestricted	<u>198,835</u>	<u>140,106</u>
<b>Total Net Position</b>	<b><u>\$ 1,281,359</u></b>	<b><u>\$ 1,293,109</u></b>

The following presents a summary of revenue and expense for the fiscal year ended June 30, 2018, compared to the fiscal year ended June 30, 2017.

	<b>June 30, 2018</b>	<b>June 30, 2017</b>
<b>Program Revenues:</b>		
Charges for Services	\$ 0	\$ 5
Operating Grants and Contributions	0	10,000
Capital Grants and Contributions	<u>14,200</u>	<u>11,000</u>
<b>Total Program Revenues</b>	<b><u>14,200</u></b>	<b><u>21,005</u></b>
<b>General Revenues:</b>		
Property taxes	335,274	330,117
Interest	208	162
Miscellaneous	60	0
Gain on disposition of assets	<u>1,635</u>	<u>0</u>
<b>Total General Revenues</b>	<b><u>337,177</u></b>	<b><u>330,279</u></b>
<b>Expenses:</b>		
Public safety	<u>363,127</u>	<u>359,405</u>
<b>Total Expenses</b>	<b><u>363,127</u></b>	<b><u>359,405</u></b>
<b>Change in Net Position</b>	<b>(11,750)</b>	<b>(8,121)</b>
<b>Net Position, Beginning of Year</b>	<b><u>1,293,109</u></b>	<b><u>1,301,230</u></b>
<b>Net Position, End of Year</b>	<b><u>\$ 1,281,359</u></b>	<b><u>\$ 1,293,109</u></b>

The 2017-2018 Financial Summary was posted in the local paper and the budget was submitted to SPGE with the State of Kentucky.

EAST MARSHALL FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2018

John Lawton was elected as Chairman of the Board, Richard Bay as Vice-Chairman, and Kimberley Lightfoot was elected Treasurer. Carl Etienne was voted in a public election pursuant to KRS 75 on June 24, 2016 to be the newest landowner member of the Board. He was sworn in and began in July 2017 and was elected Secretary at that time. Brett Edwards, Matthew Cunningham, and Wendell Sharp were members at large. Wendell's term expires June 30, 2018. An official election was held on June 23, 2018 following KRS guidelines for the firefighters to elect a new representative. George Knecht was elected and will begin in July 2018.

The tax rate was voted to remain the same in all categories at 9.4 points.

The Board continues to prioritize paying off the Station #2 building loan ahead of schedule. The original balance of \$1,085,000 was down to \$999,080 on June 30, 2018.

The Board received \$11,000 of state aid money and used it appropriately to purchase 4 sets of gear, 4 wildland helmets and 13 sets of wildland boots.

East Marshall partnered with several other Marshall County fire departments to apply for a grant to purchase new mobile radios. The grant covered 95% of the cost.

East Marshall received another grant for \$3,200 toward a thermal imaging camera which was purchased in February 2018.

East Marshall incurred expenses due to damage of the sprinkler system during the construction of the tower. These will be paid by West Kentucky Rural Electric.

The Board recognizes the current challenge of recruiting and retaining volunteer firefighters. Toward that end, Chief attended a seminar class on the subject in November. The Board also approved firefighter training at every opportunity and updated our instructor manual kit.

The board switched insurance agencies in December to Peel and Holland after getting bids for professional services for insurance, and an extensive review of options.

The empty lot on Big Bear Road remains listed for sale at \$12,000.

Extra space in our buildings was used for the winter to store 2 sheriff department boats at no charge and with no liability to East Marshall.

East Marshall is currently in dispute with AT&T over services. East Marshall cancelled all phone, cell, fax, internet, and cable services from AT&T in January 2018 and switched to Mediacom. AT&T continued to bill and auto-deduct payments through May 2018. At this time, AT&T has over-collected \$1,662.51 from East Marshall. AT&T has also continued to bill for mobile services ongoing as of June 30, 2018. These bills have gone unpaid. The county attorney has been informed and is assisting in resolving this matter.

All equipment was kept in good condition and repairs were made as necessary throughout the year. The trucks continue to age and present a future liability as we strive to balance the needs of the department and prudent debt levels.



**EAST MARSHALL FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2018**

The Board approved the purchase of upgraded extrication equipment for \$14,907.

In March 2018, the Board voted to increase work and response payments from \$20 per trip to \$25 per trip. This makes all trainings, calls, work, and responses pay out at the same \$25 per occurrence. This change is to impact the payout in December 2018 for the prior year.

**MAJOR FUND ANALYSIS**

**Revenue Recap:**

The General Fund received most of its revenues from property taxes collected (95.4%), followed by state aid (3.1%), capital grant proceeds (.9%), sale of surplus (.5%), and interest (.1%).

**Expenditure Recap:**

The General Fund expended most of its funds on debt service (33.8%), capital outlay (17.0%), building and equipment maintenance (12.2%), insurance (10.2%), travel and training (8.9%), utilities and telephone (7.7%), supplies (4.8%), expense allowance for the fire chief, assistant fire chief, and treasurer (3.8%), and other administrative expense (1.6%).

**Comments on General Fund Budget Comparison:**

The District's actual revenues were approximately \$15,500 above the budget, primarily from more property taxes received than budgeted. The actual expenditures were approximately \$26,000 below the budget, with the largest differences being operating expenses of \$22,000 less than budgeted.

**ADDITIONAL NOTES**

The financial reports are designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives.

Questions or comments regarding these financial reports may be directed to Kimberley Lightfoot, Treasurer at 859-221-6362 or EMFDBoard@gmail.com.

EAST MARSHALL FIRE PROTECTION DISTRICT  
**STATEMENT OF NET POSITION**  
 June 30, 2018

	Governmental Activities
<b>ASSETS:</b>	
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 189,323
Receivables:	
Taxes	4,186
Other	2,810
Prepaid expenses	8,152
<b>Total Current Assets</b>	204,471
<b>Noncurrent Assets:</b>	
Capital assets	3,932,888
Less: Accumulated depreciation	(1,851,284)
<b>Total Noncurrent Assets</b>	2,081,604
<b>TOTAL ASSETS</b>	\$ 2,286,075
<b>LIABILITIES:</b>	
<b>Current Liabilities:</b>	
Accounts payable	\$ 5,636
Current portion of note payable	41,395
<b>Total Current Liabilities</b>	47,031
<b>Noncurrent Liabilities:</b>	
Note payable	957,685
<b>Total Noncurrent Liabilities</b>	957,685
<b>TOTAL LIABILITIES</b>	\$ 1,004,716
<b>NET POSITION:</b>	
Net investment in capital assets	\$ 1,082,524
Unrestricted	198,835
<b>TOTAL NET POSITION</b>	\$ 1,281,359

EAST MARSHALL FIRE PROTECTION DISTRICT  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2018

	Expenses	Program Revenues Capital Grants & Contributions	Net Expense (Revenue) and Changes in Net Position
<b>FUNCTIONS/PROGRAMS</b>			
<b>Governmental Activities:</b>			
Public safety:			
Fire	\$ 363,127	\$ 14,200	\$ (348,927)
<b>Total governmental activities</b>	363,127	14,200	(348,927)
<b>Total primary government</b>	\$ 363,127	\$ 14,200	(348,927)
<b>General Revenues:</b>			
Taxes:			
Property			335,274
Gain on disposition of assets			1,635
Interest			208
Miscellaneous			60
<b>Total general revenues</b>			337,177
<b>Change in net position</b>			(11,750)
Net Position at July 1, 2017			1,293,109
Net Position at June 30, 2018			\$ 1,281,359

See Notes to Financial Statements

EAST MARSHALL FIRE PROTECTION DISTRICT  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
 June 30, 2018

	<u>General Fund</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 189,323
Receivables	
Taxes	4,186
Other	2,810
Prepays	<u>8,152</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 204,471</u></b>
 <b>LIABILITIES AND FUND BALANCE:</b>	
<b>LIABILITIES:</b>	
Accounts payable	<u>\$ 5,636</u>
<b>TOTAL LIABILITIES</b>	<u>5,636</u>
 <b>FUND BALANCES:</b>	
Nonspendable - prepaids	8,152
Unassigned	<u>190,683</u>
<b>TOTAL FUND BALANCES</b>	<u>198,835</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 204,471</u></b>

See Notes to Financial Statements

**EAST MARSHALL FIRE PROTECTION DISTRICT**  
**RECONCILIATION OF THE BALANCE SHEET**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
June 30, 2018

Total fund balance per fund financial statements	\$	198,835
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		2,081,604
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		(999,080)
		<hr/>
Net position of governmental activities	\$	<u>1,281,359</u>

See Notes to Financial Statements

EAST MARSHALL FIRE PROTECTION DISTRICT  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2018

	General Fund
<b>REVENUES:</b>	
Property taxes	\$ 335,274
State aid	11,000
Interest	208
Miscellaneous	60
<b>TOTAL REVENUES</b>	<b>346,542</b>
<b>EXPENDITURES:</b>	
Current:	
Advertising	448
Board member fees	1,950
Building and grounds maintenance	13,292
Chiefs' expense allowance & treasurer fee	9,000
Dues and subscriptions	782
Equipment maintenance	21,046
Gas and oil	3,857
Insurance	29,877
Meals	2,145
Miscellaneous	111
Office and station supplies	10,301
Professional fees	1,200
Service agreements	1,258
Telephone	6,339
Training	25,491
Travel	609
Utilities	16,319
Capital outlay:	
Building, equipment, expansion, upgrade	49,803
Debt service:	
Note principal payments	52,914
Note interest payments	46,086
<b>TOTAL EXPENDITURES</b>	<b>292,828</b>
Excess (deficit) of revenues over (under) expenditures before other financing sources (uses)	53,714
<b>OTHER FINANCING SOURCES (USES):</b>	
Sale of surplus	1,815
Capital grant proceeds	3,200
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>5,015</b>
Net change in fund balance	58,729
Fund Balance, July 1, 2017	140,106
<b>FUND BALANCE, JUNE 30, 2018</b>	<b>\$ 198,835</b>

EAST MARSHALL 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, 2018

Net change in fund balances - total governmental funds	\$	58,729
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 \$49,803 is exceeded by depreciation of \$(173,016)		(123,213)
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 debt issued exceeded repayments.		52,914
The remaining basis on disposal of capital assets is not recorded in the governmental funds because the assets were recorded as expenditures when purchased.		(180)
Change in net position of governmental activities	\$	(11,750)

See Notes to Financial Statements

EAST MARSHALL FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The East Marshall 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.



EAST MARSHALL FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

**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 and service agreements which cover periods subsequent to June 30, 2018.

EAST MARSHALL FIRE PROTECTION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**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, 2018 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.

EAST MARSHALL FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

**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 December 28, 2018, the date the financial statements were available to be issued.

EAST MARSHALL FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

**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, 2018, expenditures did not exceed appropriations in the general fund.

**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 \$189,323 and the bank balances of the District's deposits were \$191,682. 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 2018 fiscal year was \$.094 per \$100 of assessed valuation for real estate and tangible personal property.

EAST MARSHALL FIRE PROTECTION DISTRICT  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 JUNE 30, 2018

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance <u>June 30, 2017</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2018</u>
Governmental Activities:				
Historical Cost:				
Land	\$ 69,432	\$ 0	\$ 0	\$ 69,432
Land improvements	9,000	0	0	9,000
Building & improvements	2,063,913	0	0	2,063,913
Infrastructure	7,636	0	0	7,636
Vehicles & equipment	<u>1,810,955</u>	<u>49,803</u>	<u>77,851</u>	<u>1,782,907</u>
Total	<u>3,960,936</u>	<u>49,803</u>	<u>77,851</u>	<u>3,932,888</u>
Accumulated depreciation:				
Land improvements	2,336	321	0	2,657
Building & improvements	365,517	52,202	0	417,719
Vehicles & equipment	<u>1,388,086</u>	<u>120,493</u>	<u>77,671</u>	<u>1,430,908</u>
Total	<u>1,755,939</u>	<u>173,016</u>	<u>77,671</u>	<u>1,851,284</u>
Capital Assets, Net	<u>\$ 2,204,997</u>	<u>\$ (123,213)</u>	<u>\$ 180</u>	<u>\$ 2,081,604</u>

Depreciation expense was charged to the governmental functions as follows:

Public safety-fire department	\$173,016
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**NOTE 6 - LONG-TERM LIABILITIES**

On December 22, 2015, the District obtained a construction line of credit from a local bank with a maximum amount of \$1,235,000. On December 22, 2016, the construction loan was converted to a fixed rate loan in the amount of \$1,085,000. Payments of \$7,125.59 are due on the 22<sup>nd</sup> of each month, including principal and interest. Changes during fiscal year 2018 and balances as of June 30, 2018, including the current portions, of the District were as follows:

	Balance <u>June 30, 2017</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2017</u>	Due Within <u>One Year</u>
Governmental Activities:					
Note Payable:					
CFSB	\$ 1,051,994	\$ 0	\$ 52,914	\$ 999,080	\$ 41,395
Total	<u>\$ 1,051,994</u>	<u>\$ 0</u>	<u>\$ 52,914</u>	<u>\$ 999,080</u>	<u>\$ 41,395</u>

EAST MARSHALL FIRE PROTECTION DISTRICT  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 JUNE 30, 2018

**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>
2019	\$ 44,112	\$ 41,395	\$ 85,507
2020	42,210	43,297	85,507
2021	40,221	45,286	85,507
2022	38,141	47,366	85,507
2023	35,965	49,543	85,508
2024-2028	143,518	284,017	427,535
2029-2033	72,004	355,531	427,535
2034-2035	5,118	132,645	137,763
	<u>\$ 421,289</u>	<u>\$ 999,080</u>	<u>\$ 1,420,369</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	4.50%	06/22/35	\$ 999,080	Fire Station

**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 and \$4,000,000 aggregate commercial umbrella. Coverage for property risk is \$139,531 for personal property, \$2,932,940 for the buildings, and \$230,973 for portable equipment. 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. The District also has a blanket bond for \$100,000 each on the treasurer, fire chief and chairman of the board, and \$10,000 aggregate limit on others. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in recent years.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**EAST MARSHALL FIRE PROTECTION DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
For the Year Ended June 30, 2018

	Original	Final	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES:</b>				
Property taxes	\$ 319,900	\$ 319,900	\$ 335,274	\$ 15,374
State aid	11,000	11,000	11,000	0
Interest	100	100	208	108
Miscellaneous	0	0	60	60
<b>TOTAL REVENUES</b>	<u>331,000</u>	<u>331,000</u>	<u>346,542</u>	<u>15,542</u>
<b>EXPENDITURES:</b>				
Current:				
Personnel	36,100	36,100	29,380	6,720
Operations	123,900	125,900	103,937	21,963
Administration	22,700	22,700	10,708	11,992
Capital outlay	35,000	35,000	49,803	(14,803)
Debt service	99,000	99,000	99,000	0
<b>TOTAL EXPENDITURES</b>	<u>316,700</u>	<u>318,700</u>	<u>292,828</u>	<u>25,872</u>
Excess (deficit) of revenues over (under) expenditures before other financing sources (uses)	<u>14,300</u>	<u>12,300</u>	<u>53,714</u>	<u>41,414</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of surplus	0	0	1,815	1,815
Capital grant proceeds	0	0	3,200	3,200
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>0</u>	<u>0</u>	<u>5,015</u>	<u>5,015</u>
Net change in fund balance	14,300	12,300	58,729	46,429
Fund Balance, July 1, 2017	<u>130,000</u>	<u>130,000</u>	<u>140,106</u>	<u>10,106</u>
<b>FUND BALANCE, JUNE 30, 2018</b>	<u>\$ 144,300</u>	<u>\$ 142,300</u>	<u>\$ 198,835</u>	<u>\$ 56,535</u>

See Notes to Financial Statements



**ADDITIONAL REPORTS**

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# KIM HAM

## CERTIFIED PUBLIC ACCOUNTANT

TAXES ♦ BOOKKEEPING ♦ AUDITING ♦ PAYROLL ♦ CONSULTING

MEMBER,  
American Institute  
of CPA's

MEMBER,  
Kentucky Society  
of CPA's

### 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  
EAST MARSHALL 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 East Marshall Fire Protection District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the East Marshall Fire Protection District's basic financial statements, and have issued my report thereon dated December 28, 2018.

#### Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the East Marshall 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 East Marshall Fire Protection District's internal control. Accordingly, I do not express an opinion on the effectiveness of the East Marshall 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 East Marshall 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  
December 28, 2018