

**CONCORD FIRE PROTECTION DISTRICT**



FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2025

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WILLIAMS WILLIAMS & LENTZ

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditor's Report

Board of Directors  
Concord Fire Protection District  
McCracken County, Kentucky

### Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities of the Concord Fire Protection District as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Concord Fire Protection District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities of the Concord Fire Protection District as of June 30, 2025, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Concord Fire Protection District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to that matter.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Concord Fire Protection District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are

considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Concord Fire Protection District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Concord Fire Protection District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Concord Fire Protection District's basic financial statements. The Budgetary Comparison Schedule on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2026, on our consideration of the Concord Fire Protection District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Concord 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 Concord Fire Protection District's internal control over financial reporting and compliance.

*Williams, Williams & Lentz, LLP*

Paducah, Kentucky  
March 9, 2026

**CONCORD FIRE PROTECTION DISTRICT**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**JUNE 30, 2025**

**ASSETS**

	<b><u>Governmental Activities</u></b>
Cash	\$ 502,250
Total assets	<u>\$ 502,250</u>

**LIABILITIES**

Payroll liabilities	\$ 6,748
Total liabilities	<u>\$ 6,748</u>

**NET POSITION**

Unrestricted	\$ 495,502
TOTAL NET POSITION	<u>\$ 495,502</u>

See notes to financial statements.

**CONCORD FIRE PROTECTION DISTRICT**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

**FUNCTIONS/PROGRAMS**

	<b>Cash</b>	<b>Program Receipts</b>		<b>Net</b>
	<b><u>Disbursements</u></b>	<b><u>Charges for</u></b>	<b><u>Operating</u></b>	<b>(Disbursements)</b>
		<b>Services</b>	<b>Grants</b>	<b>Receipts and</b>
				<b>Changes in</b>
				<b>Net Position</b>
<b>Governmental Activities:</b>				
Public safety:				
Fire	\$ 862,007	\$ 17,952	\$ 26,688	\$ (817,367)
Interest on long-term debt	18,248	-	-	(18,248)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total governmental activities	<u>\$ 880,255</u>	<u>\$ 17,952</u>	<u>\$ 26,688</u>	<u>(835,615)</u>
 <b>General receipts:</b>				
Taxes and licenses:				
Property taxes				633,491
Sale of assets				347,593
Miscellaneous income				1,782
Interest income				8,373
				<u>          </u>
Total general receipts				<u>991,239</u>
 Change in net position				155,624
 Net position July 1, 2024				<u>339,878</u>
 NET POSITION JUNE 30, 2025				<u><u>\$ 495,502</u></u>

See notes to financial statements.

**CONCORD FIRE PROTECTION DISTRICT**  
GENERAL FUND BALANCE SHEET - MODIFIED CASH BASIS  
JUNE 30, 2025

**ASSETS**

Cash	<u>\$ 502,250</u>
Total assets	<u><u>\$ 502,250</u></u>

**LIABILITIES AND FUND BALANCE**

<b>Liabilities:</b>	
Payroll liabilities	<u>\$ 6,748</u>
Total liabilities	<u>6,748</u>
<b>Fund Balance:</b>	
Unassigned	<u>495,502</u>
Total fund balance	<u>495,502</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 502,250</u></u>

**CONCORD FIRE PROTECTION DISTRICT**  
**GENERAL FUND STATEMENT OF RECEIPTS, DISBURSEMENTS,**  
**AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

**Receipts:**

Taxes:		
Property taxes		\$ 633,491
Intergovernmental revenues		26,688
Other:		
Sale of assets		347,593
Miscellaneous		19,734
Interest income		8,373
		1,035,879
 Total receipts		 1,035,879

**Disbursements:**

Wages - office staff		209,235
Employee benefits		30,500
Incentive pay		5,310
Payroll expenses		21,546
Debt service principal		80,000
Debt service interest		18,248
Advertising		1,798
Utilities		18,770
Insurance		44,659
Vehicle		5,116
Equipment purchases		239,819
Repairs and maintenance		70,021
Fuel		11,506
Training		42,963
Dues and memberships		8,052
Meals and entertainment		7,275
Professional fees		12,435
Office expense		7,035
Supplies		22,209
Uniforms		12,387
Miscellaneous		11,371
		880,255
 Total disbursements		 880,255

Net change in fund balance		155,624
 Fund balance, July 1, 2024		 339,878
 FUND BALANCE, JUNE 30, 2025		 \$ 495,502

See notes to financial statements.

**CONCORD FIRE PROTECTION DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025

**Note 1 - Summary of Significant Accounting Policies:**

As discussed further below under “Measurement Focus and Basis of Accounting”, these financial statements are presented on the modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

**Reporting Entity**

The financial statements of the Concord Fire Protection District (District) consist only of the operations of the District. The District has no oversight responsibility for any other entity since no other entities are considered to be controlled by or dependent upon the District. Control or dependence is determined upon the basis of budget adoption, funding, and appointment of the respective governing board.

**Basis of Presentation**

*Government-Wide Financial Statements*

The Statement of Net Position - Modified Cash Basis and Statement of Activities - Modified Cash Basis display information about the reporting government as a whole. They detail the governmental activities of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental receipts, and other non-exchange receipts.

*Fund Financial Statements*

Fund financial statements of the reporting entity detail the activities of the general fund. Funds are accounted for by providing a separate set of self-balancing accounts that constitute its assets and fund equity, receipts, and disbursements.

The District is a single fund entity.

**Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

In the government-wide Statement of Net Position - Modified Cash Basis and Statement of Activities - Modified Cash Basis and the fund financial statements, activities are presented using the modified cash basis of accounting. Receipts and related assets are generally recognized when received rather than when earned. Disbursements are recognized when paid rather than when a liability is incurred, including capital asset purchases.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues and certain liabilities and their related expenses are not recorded in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

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**CONCORD FIRE PROTECTION DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025

**Note 1 - Summary of Significant Accounting Policies (Continued):**

**Deposits and Investments**

For the purpose of the Statement of Net Position - Modified Cash Basis, “cash in bank” includes all demand accounts of the District. Additional cash disclosures are presented in Note 2. The District maintains its cash with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). The District has no investment policy that would further limit its investment choices.

**Equity Classifications**

*Government-Wide Statements*

Equity is classified as net position and displayed in two components:

- a. Restricted - Consists of equity with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) laws through constitutional provisions or enabling legislation. The District did not have a restricted net position at June 30, 2025.
- b. Unrestricted - All other equity that does not meet the definition of “restricted.”

*Fund Financial Statements*

Governmental fund equity is classified as fund balance and displayed in five components:

- a. Nonspendable fund balance includes amounts that are not in a spendable form or are required to be maintained intact indefinitely. The District did not have a nonspendable fund balance at June 30, 2025.
- b. Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by creditors, grantors, contributors, or laws or regulations of other governments. The District did not have a restricted fund balance at June 30, 2025.
- c. Committed fund balance includes amounts that can be used only for the specific purposes determined by the District through approval of resolutions. Commitments may be changed or lifted only by the District making the same formal action that imposed the constraint originally. The District did not have a committed fund balance at June 30, 2025.
- d. Assigned fund balance comprises the amounts intended to be used for a specific purpose. Intent can be expressed by the board of trustees or the District director. No formal action is required. The District did not have an assigned fund balance at June 30, 2025.
- e. Unassigned fund balance is the residual balance that has not been classified as nonspendable, restricted, committed, or assigned.

When both restricted and unrestricted fund balances are available for use, it is the District’s policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

(Continued)

**CONCORD FIRE PROTECTION DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025

**Note 1 - Summary of Significant Accounting Policies (Continued):**

**Revenue Recognition**

The District follows the guidance of FASB Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, as applicable to cash-basis financial reporting. Because the District prepares its financial statements on the modified cash basis of accounting, revenues are recognized when cash is received, rather than when they are earned.

The District's primary revenue stream subject to Topic 606 includes fees for fire and emergency response services. These revenues arise from contracts with customers in which the District provides fire protection or related services. The District's performance obligations are generally satisfied at the point in time the service is provided. Under the modified cash basis, revenue from contracts with customers is recorded when cash is received, regardless of the period in which the services are performed. Amounts received before services are performed are recorded as unearned revenue until the service occurs. The District does not record receivable or contract assets under this basis of accounting; therefore, amounts that are billed but uncollected at year-end are not recognized as revenue. The District's service fees are generally established by Board-approved rates. These fees do not typically include significant variable consideration. Any adjustments, waivers, or refunds are recognized in the period cash is disbursed. Because revenue is recognized only upon cash receipt, judgments related to estimating fees or progress toward completion are not applicable under the modified cash basis.

The District's primary non-exchange revenues are property taxes and intergovernmental grants. These revenues are not subject to Topic 606 and are recognized when cash is received, consistent with the modified cash basis. In the Statement of Activities - Modified Cash Basis, program receipts consist of site cleanup and state aid. 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 2025 fiscal year was \$0.075 per \$100 of assessed valuation for real estate and tangible personal property and \$0.08 per \$100 of assessed value of motor vehicles.

**Subsequent Events**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through March 9, 2026, the date financial statements were available to be issued.

**Legal Compliance - Budget**

The budget is adopted on the modified cash basis of accounting and laws of Kentucky as required by the Department for Local Governments (DLG). The District is required to submit estimated revenues and proposed expenditures to DLG by July 15th of the budget year. The budget is required to be adopted by the District no later than June 30th of the preceding year. Any amendments to the budget must be approved by the governing body (the District's Board) and may not create an unbalanced budget. All budget amendments must be submitted to DLG. At June 30, 2025, actual expenditures exceeded budget by \$151,005. This is mostly due to more spent on capital outlay than expected.

(Continued)

**CONCORD FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

**Note 2 - Detail Notes on Transaction Classes/Accounts:**

The following notes present detailed information to support the amounts reported in the basic financial statements for its various assets, equity, receipts, and disbursements.

**Cash**

The carrying amount of the District's cash in bank was \$502,250, and the bank balance was \$527,448 for the year ended June 30, 2025. Of the bank balance, \$250,000 was insured by federal depository insurance, and the remaining \$277,448 was subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The remaining balance of \$277,448 was uninsured and collateralized with securities held by the pledging bank's agent not in the District's name.

**Note 3 - Long-Term Debt:**

The District incurs long-term obligations to finance the acquisition of fire equipment and facilities. Under the modified cash basis of accounting, long-term debt is not reported as a liability on the Statement of Net Position - Modified Cash Basis or the General Fund Balance Sheet - Modified Cash Basis; however, the District discloses such obligations in the notes to the financial statements. Debt payments will be paid primarily from property tax revenues.

As of June 30, 2025, the District had the following long-term debt outstanding:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>
Fixed rate bond - facilities	November 20, 2024	January 1, 2031	1.00%
	<b>Balance</b>		<b>Due Within</b>
	<b><u>July 1, 2024</u></b>	<b><u>Issued</u></b> <b><u>Retired</u></b>	<b><u>June 30, 2025</u></b>
Bond payable	\$ 531,667	\$ -    \$ 80,001	\$ 451,666
			<b><u>One Year</u></b>
			\$82,083

Future maturities of the notes payable listed above are as follows:

	<b><u>Principal</u></b>	<b><u>Interest and Fees</u></b>	<b><u>Total</u></b>
2026	\$ 82,083	\$ 15,648	\$ 97,731
2027	87,083	12,980	100,063
2028	90,000	10,150	100,150
2029	92,083	7,178	99,261
2030	74,167	2,703	76,870
2031	<u>26,250</u>	<u>-</u>	<u>26,250</u>
<b>TOTALS</b>	<b><u>\$ 451,666</u></b>	<b><u>\$ 48,659</u></b>	<b><u>\$ 500,325</u></b>

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**SUPPLEMENTARY INFORMATION**

**CONCORD FIRE PROTECTION DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Budgeted Amounts</u>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget Positive Negative</b>
	<u>Original</u>	<u>Final</u>	<u>(See Note 1)</u>	<u>(Negative)</u>
<b>Revenues:</b>				
Property taxes	\$ 588,000	\$ 588,000	\$ 633,491	\$ 45,491
Intergovernmental revenues	11,000	11,000	26,688	15,688
Interest income	5,000	5,000	8,373	3,373
Other revenues	28,600	28,600	367,327	338,727
Total revenues	<u>632,600</u>	<u>632,600</u>	<u>1,035,879</u>	<u>403,279</u>
<b>Expenditures:</b>				
Personnel	270,000	277,500	281,529	(4,029)
Operations	201,200	210,500	200,555	9,945
Administration and reserves	47,900	72,900	67,020	5,880
Capital outlay	70,413	70,413	232,903	(162,490)
Debt service	97,937	97,937	98,248	(311)
Total expenditures	<u>687,450</u>	<u>729,250</u>	<u>880,255</u>	<u>(151,005)</u>
Revenues over (under) expenditures	<u>(54,850)</u>	<u>(96,650)</u>	<u>155,624</u>	<u>252,274</u>
Fund balance, July 1, 2024	<u>344,398</u>	<u>344,398</u>	<u>339,878</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2025	<u><u>\$ 289,548</u></u>	<u><u>\$ 247,748</u></u>	<u><u>\$ 495,502</u></u>	<u><u>\$ 252,274</u></u>



WILLIAMS WILLIAMS & LENTZ

CERTIFIED PUBLIC ACCOUNTANTS

**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***

The Board of Directors  
Concord Fire Protection District  
Paducah, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of the Concord Fire Protection District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Concord Fire Protection District's basic financial statements, and have issued our report thereon dated March 9, 2026.

**Internal Control over Financial Reporting**

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

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

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Williams, Williams & Lentz, LLP*

Paducah, Kentucky  
March 9, 2026



**CONCORD FIRE PROTECTION DISTRICT**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

**A. Findings - Financial Statements Audit**

2024-001. Payroll

The District does not have a board approved compensation policy. Currently, the Fire Chief is authorized to compensate each firefighter at his discretion and is only constrained by the total personnel budget as approved by the Board of Directors. The current compensation practices do not provide adequate controls to ensure each firefighter is properly compensated. Furthermore, the Board of Directors does not have a method to verify the propriety of each firefighter's compensation. A comprehensive compensation policy, which outlines all pay rates by position, shift, and training level, needs to be established in writing and formally approved by the Board of Directors. There should also be consistency in approvals for time sheets as some were not approved at all and others were approved by someone other than the Chief. As part of the Board of Directors oversight of expenditures, periodic review of compensation payments should be performed to ensure that compensation is being paid according to the approved compensation schedule. If compensation rates or practices need to be modified in the future, the compensation schedule should be modified and approved by the Board of Directors prior to any changes in compensation.

A rate schedule was provided for fiscal year 2025. However, there was no specific mention of approval in the board minutes. We suggest attaching these to the minutes with dates specifying the period the rates cover and a signature indicating board approval. The approval was done with the overall budget. Time sheets selected for testing were all approved. Apart from separate identification in the board minutes, the prior year findings have been resolved.

**B. Findings - Compliance**

2024-002. Payroll

Some payments to firefighters were not properly included in wages and taxed. With a shift from contract labor to employees in 2024, there are multiple employees receiving 1099's and W-2's. This is okay if all 1099 payments occurred prior to being considered an employee. Kentucky incentive pay was correctly included in wages. However, run money was not included in wages for fiscal year 2024. With all firefighters being employees beginning in fiscal year 2025, all payments to firefighters for salary or hourly pay as well as shift pay and run money should be included in the W-2 wages and reported on the Form 941. Any previously filed Form 941's should be amended as needed to reflect this and the associated tax liabilities.

While several of the firefighters are properly treated as employees and payments are included in wages and taxed, there are still some that are strictly receiving 1099's. These are individuals that do not regularly cover shifts. Run money for those treated as employees is included in taxable wages. The prior year findings appear to have been resolved.