

# NORTHERN LAKES FIRE PROTECTION DISTRICT

FINANCIAL AUDIT REPORTS AND STATEMENTS

FOR THE YEAR ENDED  
September 30, 2019

*Prepared by*

*Anderson*  
BROS. CPAs

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## INDEPENDENT AUDITORS' REPORT



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## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Northern Lakes Fire Protection District, Idaho

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northern Lakes Fire Protection District, Idaho, as of September 30, 2019 and for the year ended , and the related notes to the financial statements, which collectively comprise the 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*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amount 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 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Northern Lakes Fire Protection District, as of January 27, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11, the Schedule of District's Share of Net Pension Liability and the Schedule of District's Contributions on page 32, and the budgetary comparison information on pages 33 through 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2020, on our consideration of the Northern Lakes Fire Protection District, Idaho'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 Northern Lakes Fire Protection District, Idaho'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 Northern Lakes Fire Protection District, Idaho's internal control over financial reporting and compliance.



Anderson Bros. CPAs  
Post Falls, Idaho  
January 27, 2020

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Northern Lakes Fire Protection District's discussion and analysis (MD&A) provides an overall narrative review of the District's financial activities for the fiscal year ended September 30, 2019. This information is designed to focus on the current year's activities, resulting changes and currently known facts. The MD&A should be read in conjunction with the notes to the basic financial statements and the financial statements following this section to enhance understanding of the District's financial performance.

## **FINANCIAL HIGHLIGHTS**

- Assets exceeded liabilities and deferred inflows of resources by \$3,882,271 at the end of the fiscal year.
- Total revenues for the reporting period were \$7,060,639, an overall increase of \$289,998 from the previous year.
- Actual expenditures this fiscal year were 1.8% less (\$113,281) than the year before, for a total of \$6,196,245 due in large part to the purchase of communication equipment and improvements to both real property and buildings.
- Including proceeds from the sale of assets, the District's revenues exceeded expenditures by \$864,394 resulting in a fund balance of \$3,882,271 as of September 30, 2019.
- Of the total fund balance, \$79,152 is non-spendable as pre-paid expenses for ensuing fiscal year; with the balance of \$3,803,119 unassigned.

## **USING THIS ANNUAL REPORT**

This annual report consists of three parts: Management's Discussion and Analysis, the Basic Financial Statements, and required Supplemental Information. The Basic Financial Statements include the *Statement of Net Position* and *Statement of Activities* which provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. The District's operations are conducted solely through a general fund.

The notes to the financial statements provide further explanation of some of the information in the statements and additional disclosures so statement users have a complete picture of the District's financial activities and position. Other supplemental information further explains and supports the financial statements by including a comparison of the District's budget data for the year.

**STATEMENT OF NET POSITION**

The analysis below focuses on the Net Position (Table 1) of the District's governmental activities. The changes in Net Position (Table 2) reflect changes in the governmental activities of the District during the reporting period.

**Table 1**

Statement of Net Position

	Governmental Activities	
	<u>Sep 30, 2019</u>	<u>Sep 30, 2018</u>
Current Assets	\$ 9,565,561	\$ 8,390,868
Capital Assets Net of Depreciation	<u>4,617,625</u>	<u>4,826,020</u>
Total Assets	\$14,183,186	\$13,216,888
 Deferred Outflows of Resources	 <u>\$ 357,466</u>	 <u>\$ 496,233</u>
 Total Combined Assets & Deferred Outflows of Resources	 <b><u>\$14,540,652</u></b>	 <b><u>\$13,713,121</u></b>
 Current and Other Liabilities	 \$ 1,982,313	 \$ 2,451,162
Deferred Inflows of Resources	<u>\$ 6,115,517</u>	<u>\$ 5,488,811</u>
 Total Combined Liabilities & Inflows of Resources	 <b><u>\$ 8,097,830</u></b>	 <b><u>\$ 7,939,973</u></b>
 Net Position:		
Invested in Capital Assets, Net Related Debt	\$ 4,466,359	\$ 4,602,138
Unrestricted	<u>1,976,463</u>	<u>1,171,010</u>
Total Net Position	<b><u>\$ 6,442,822</u></b>	<b><u>\$ 5,773,148</u></b>
 Total Liabilities and Net Position	 <b><u>\$14,540,652</u></b>	 <b><u>\$13,713,121</u></b>

Net Position may serve over time as a useful indicator of a government's financial position. The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,442,822 as of September 30, 2019. The majority of the District's Net Position (69%) reflects its investment in capital assets (e.g. apparatus lease outlay, buildings, real property, equipped apparatus, station equipment, furniture and fixtures). The remaining balance of \$1,976,463 is unrestricted and increased by 69% over the reporting period.

The District's net position increased by \$669,674 for the fiscal year ended September 30, 2019.

NORTHERN LAKES FIRE PROTECTION DISTRICT  
Management's Discussion and Analysis  
September 30, 2019

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**Table 2**

Changes in Net Position

General Revenues	<u>Sep 30, 2019</u>	<u>Sep 30, 2018</u>
Property Taxes	\$ 5,200,321	\$ 4,959,984
Sales Taxes	185,679	173,015
Interest	99,908	70,001
Other	71,899	98,413
Gain (Loss) on Disposal of Capital Assets	0	(16,606)
 Program Revenues		
Specific Grant –Capital	\$ 18,811	\$ 0
Specific Contributed - Capital	0	0
 Charges for Services		
Emergency Medical Services	\$ 1,392,271	\$ 1,351,532
Fees and permits	<u>64,664</u>	<u>103,838</u>
 <b>Total Revenues</b>	 <b><u>\$ 7,033,553</u></b>	 <b><u>\$ 6,740,177</u></b>
 Program Expenses		
Fire Protection and EMS	\$ 6,363,879	<u>\$ 6,174,860</u>
<b>Total Expenses</b>	<b><u>\$ 6,363,879</u></b>	<b><u>\$ 6,174,860</u></b>

General revenues included: property tax levied annually per Idaho Code §31-1423, sales tax proceeds distributed quarterly per Idaho Code §63-3638, interest earned on cash deposits to a checking account, interest on investments in the State Local Government Investment Pool (LGIP), and late fees and interest collected on delinquent property tax as provided by Idaho Code §63-812. Other general revenues included unanticipated reimbursement for wages and payroll taxes for personnel on wildland fire responses by the Idaho Department of Lands (IDL), reimbursement of workers compensation benefits paid out to personnel, recovery costs for certain hazmat responses, exam fees charged to establish a firefighter hiring list, and donations from the public.

In November 2018, the District received grant funding awarded through the Firehouse Subs Public Safety Foundation

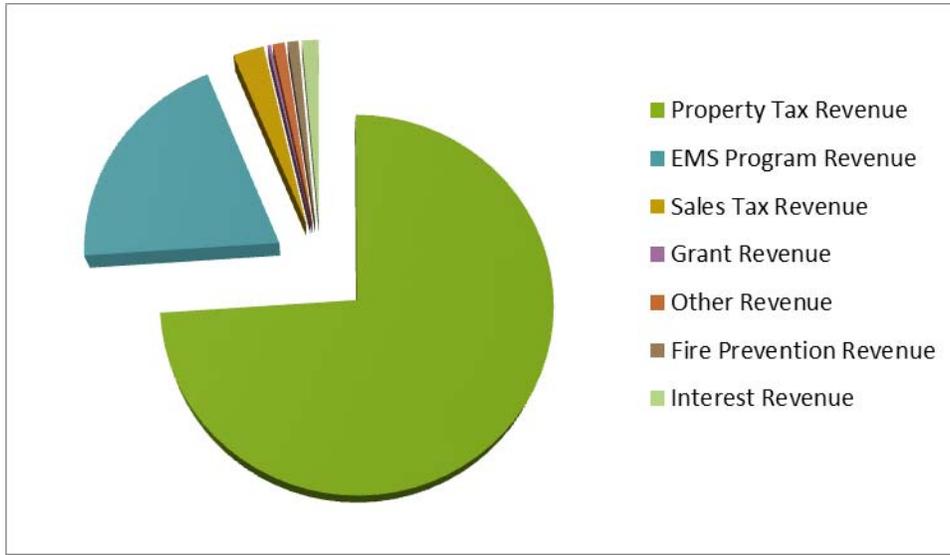
Charges for services included payments from the Kootenai Emergency Medical Services System (KCEMSS) for EMS contracted services provided by District personnel and fees generated by the Fire Prevention Bureau for building project reviews, inspections, and permits.

The District's fire protection and emergency medical services expenses included operating costs for: personnel wages and benefits, including recognized defined benefit pension plan expense; facility maintenance and utilities; vehicle and equipment purchases, repairs and maintenance; office and administration; liability insurance; vehicle fuel; professional fees; training; and land rent for two outlying stations. The program expenses also included a depreciation expense on capital assets of \$300,793.

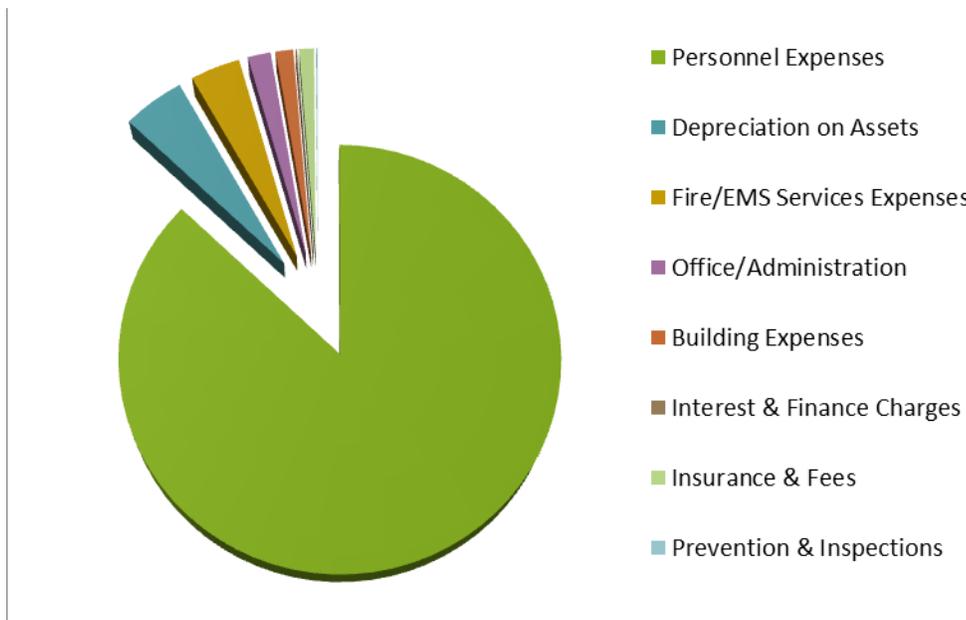
**STATEMENT OF ACTIVITIES**

The following charts break out revenue sources and budget item expenses as percentages of total revenue and expense for the year ending September 30, 2019.

**Revenue by Source**



**Expenses by Budget Item**



NORTHERN LAKES FIRE PROTECTION DISTRICT  
Management's Discussion and Analysis  
September 30, 2019

The following Table 3 shows revenues, expenditures and changes in fund balance for fiscal year 2019 and 2018 for comparative purposes.

**Table 3**

Revenues, Expenditures and Changes in Fund Balance

	<u>Sep 30, 2019</u>	<u>Sep 30, 2018</u>
General Revenues		
Property Taxes	\$5,227,407	\$4,973,842
Emergency Medical Services	1,392,271	1,351,532
Grant Revenue	18,811	0
Sales Taxes	185,679	173,015
Fees and Permits	64,664	103,838
Interest	99,908	70,001
Other	71,899	98,413
Grant Revenues	0	0
<b>Total Revenues</b>	<b><u>\$7,060,639</u></b>	<b><u>\$6,770,641</u></b>
Expenditures		
Personnel	\$3,887,624	\$3,759,501
Payroll Taxes & Benefits	1,621,795	1,609,190
Fire Battalion Division	86,413	79,129
Vehicle Maintenance & Repair	63,401	84,982
Station Expenses	83,848	82,380
Insurance	60,983	59,626
Office Expense	78,740	59,918
Vehicle Fuel	37,754	35,249
Administration Expenses	31,463	27,074
Inspection/Prevention Division	7,605	7,347
Training Division	15,947	20,175
Professional Fees	10,953	8,225
EMS Operation Division	16,377	11,848
Communications	2,335	23,628
Rent (Land)	810	810
Other	18,868	1,260
Debt Service Payment-Principal	72,616	370,288
Debt Service Payment-Interest	6,315	14,062
Capital Outlay	92,398	54,834
<b>Total Expenditures</b>	<b><u>\$6,196,245</u></b>	<b><u>\$6,309,526</u></b>
Excess (Deficit) of Revenues over Expenditures	\$ 864,394	\$ 461,115
Proceeds from Sale of Assets	0	8,000
Proceeds from Financing Sources	<u>0</u>	<u>0</u>
Net Change in Fund Balance	<u>\$ 864,394</u>	<u>\$ 469,115</u>
Fund Balance – End of Year	<u>\$3,882,271</u>	<u>\$3,017,877</u>

Overall, total revenues for the reporting period were \$289,998 more than total revenues for the previous fiscal year. As a governmental entity, property taxes accounted for 74% of all fiscal year 2019 revenues, an increase of ½% from fiscal year 2018. Miscellaneous (Other) revenue decreased by \$26,514 over the prior year; this was due in large part to reimbursement of personnel expenses for wildland fire response received from the Idaho Department of Lands

(IDL) being less than \$19,499, as well as the dividend payment received from the District's workers compensation insurance plan less than \$9,337, from the prior year.

Fire Prevention review and permit fees collected were down more than 60% from last fiscal year; for a decrease in revenue of \$39,174. The District experienced fewer large commercial project approvals this fiscal year, but anticipates modest increases in the numbers of both new residential and commercial projects in the next fiscal year.

Sales tax proceeds modestly increased by 7% this fiscal year as compared to last for an increase of \$12,664 in revenue. Due to a combination of increased reserve funds and higher interest rates, the earned interest on cash deposits/investments increased by 43% for an additional \$29,907 as compared to last fiscal year.

The Kootenai County Emergency Management Services System (KCEMSS) increased the District's fiscal year 2019 contracted services by 3% over the prior year, for an additional \$40,739 in revenue. These payments help offset the costs of providing advanced life support emergency response out of the District's staffed stations in both Hayden and Rathdrum.

Total expenditures during the fiscal year were \$113,281 less than the year before, or a decrease of 1.8%. This was due in large part to the pre-payment of a lease purchase agreement for two tender/pumpers in fiscal year 2018, totaling \$222,850.

In summary, the District's revenues exceeded its expenditures by \$864,394 increasing its fund balance at the end of the year by more than 28%.

### **THE DISTRICT'S FUNDS**

As the District completed the fiscal year, its governmental funds (as presented in the Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds) reported a fund balance of \$3,882,271.

The increase in fund balance is due in part to higher than anticipated revenues for prior year property taxes received, interest earned on cash deposits/investments, and sales tax proceeds, as well as savings realized in expenditure budgets in an effort to finance future station and equipment replacement needs. The District also saw reimbursements of \$35,609 for personnel expenses from the Idaho Department of Lands for wildland fire response in Idaho and Montana; a \$6,103 dividend payment from its workers compensation insurance (State Insurance Fund); and, \$8,500 in donations for the purchase of fire/rescue equipment.

The fund balance includes assigned carryover as allowed per Idaho Code §31-1428 for equipping and maintaining the District. These savings realized in prior expenditure budgets are also assigned to finance future growth and expansion of facilities, equipment and personnel expenses.

**GENERAL FUND BUDGET VARIANCES**

The budget is used during the fiscal year as a tool to monitor actual income and expenditures. The *Schedule of Revenue, Expenditures and Changes in Fund Balances Budget and Actual* shows actual revenues exceeded actual expenditures resulting in an increase in fund balance of \$864,394.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Statement of Net Position includes any capital assets acquired over the District's threshold of \$2,500. At the end of Fiscal Year 2019, the District had invested \$9,052,412 (before depreciation) in a broad range of capital assets including land, buildings, furniture and fixtures, apparatus and equipment (see Note 6 – Capital Assets) This amount represents a net increase in total capital assets (including additions and deductions) of \$68,044 from the prior year. With total accumulated depreciation on these assets amounting to \$4,434,787, the net value of the District's capital assets decreased by 4.3% from the previous fiscal year, or a total of -\$208,396.

This year's changes included the following:

- Purchase of firefighting equipment including a portable battery-operated extrication tool package, two portable 4-in-1 emergency radios for incident command, a multi-gas detector kit, a breathing air compressor station with cylinders, and a washer/extractor for cleaning firefighter turn outs.
- Upgrading the District's board meeting/training room's audio/video equipment with three new monitors.
- Real property improvements at Fire Station 1 of parking lot repairs, including super seal and re-striping.
- Surplus and disposal of a thermal imaging camera no longer in working condition; and surplus and donation of a defibrillator no longer in use to the Rathdrum Senior Center for their use.

**Table 4**

Capital Assets at Year-end  
 (Net of Depreciation)

Capital Assets	Governmental Activities	
	Sep 30, 2019	Sep 30, 2018
Land	\$ 863,027	\$ 863,027
Buildings/Improvements	3,483,041	3,480,341
Apparatus	3,364,854	3,364,854
Firefighting Equipment	1,266,383	1,171,286
Office Equipment	75,107	56,152
Total Capital Assets	<u>\$ 9,052,412</u>	<u>\$ 8,935,660</u>
Accumulated Depreciation	(4,434,787)	(4,109,640)
Capital Assets (Net of Depreciation)	<u>\$ 4,617,625</u>	<u>\$ 4,862,020</u>

## **Long Term Liabilities**

### **Debt**

In September 2017, the District entered into a 4-year lease purchase for a pumper apparatus that was delivered in September 2017. After a down payment of \$252,295, the District financed the remaining \$300,000. The first annual lease payment of \$78,931.45 was paid in February 2018 with the final of four annual payments due in February 2021.

### **Voluntary Deferred Compensation Plan**

District employees eligible for the Public Employee Retirement System of Idaho (PERSI) defined benefit plan are able to voluntarily participate in the PERSI Choice 401(k) deferred compensation plan. Employees are able to defer up to \$19,000 of salary per calendar year as of 2019 (and an additional \$6,000 for employees over the age of 50 in 2019) with the District matching employee deferrals of up to 6% of their wages. The District portion contributed for this fiscal year totaled \$212,430.

### **Compensated Absences**

Long term liability obligations on the government financial statements include accrued vacation pay for which employees are paid upon separation from the District. At year end, compensated absences liabilities were \$331,031 an increase of 1.5% over the prior year.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The fiscal year 2020 budget was approved and adopted in August 2019. When developing a budget, the District's primary consideration is to continue to meet the demand for fire and EMS services in the most cost-effective manner possible. In 2017, the District determined that a third staffed station was needed to meet its growing call volume for emergency response. The board of fire commissioners submitted a ballot issue to eligible voters in May 2019 to authorize a permanent tax levy override in order to fund the increased staffing levels. This tax levy override election fell short of the 2/3<sup>rd</sup> majority approval requirement (at 65.9% approval). The District has plans to submit the ballot issue to eligible voters again in November 2020.

### **Revenues**

The District levied the maximum allowable amount of property tax increase (3%) for fiscal year 2020 and is anticipating modest increases in those revenues. The District also anticipates increases in sales tax revenue and interest earned on cash deposits/investments.

At the time the budget was adopted, the District anticipated moderate increases in the fees generated by new commercial and residential developments within its boundaries.

In July 2019, the Kootenai County EMS System approved a budget increasing the EMS contract payments to the District by 1% or an additional amount of \$13,900 for fiscal year 2020.

### **Expenditures**

District operating expenses are anticipated to be 4.5% more for fiscal year 2020 than the previous period. The District previously identified the need for additional funding to increase suppression staffing levels to meet growing emergency response call volume demands. The

District was able to fund one additional suppression position in its fiscal year 2020 budget, but not the additional five positions to staff a third fire station. A special election failed in May 2019 without a super majority of voters approving a permanent tax levy override. The District has plans to submit a ballot issue to voters again in November 2020 to fund the minimal staffing of a third station in 2021. The District has realized savings in prior expenditure budgets to fund station remodel/replacement as well as purchase of apparatus and equipment.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report, or need additional information, you may contact Fire Chief Pat Riley or Executive Assistant Valerie Knapp, at Northern Lakes Fire Protection District, 125 W. Hayden Ave., Hayden, Idaho 83835.

## BASIC FINANCIAL STATEMENTS

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Statement of Net Position**  
**September 30, 2019**

	Government Activities	Total
<b>ASSETS</b>		
Cash & Cash Equivalents	\$ 3,909,942	\$ 3,909,942
Receivables:		
Accounts Receivable (net)	6	6
Property Taxes (net)	5,525,209	5,525,209
Sales Taxes	51,252	51,252
Prepaid Expenses	79,152	79,152
Capital Assets:		
Land and Land Improvements	863,027	863,027
Capital Assets, net	3,754,598	3,754,598
Total Assets	<u>14,183,186</u>	<u>14,183,186</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Plan differences - PERSI	357,466	357,466
Total Deferred Outflows of Resources	<u>357,466</u>	<u>357,466</u>
<b>LIABILITIES</b>		
Accounts Payable	8,419	8,419
Checks in Excess of Deposits	-	-
Payroll, Benefits & Taxes Payable	156,748	156,748
Accrued Interest	5,818	5,818
Portion due or payable within one year:		
Capital Lease Payable	74,649	74,649
Long-Term Liabilities:		
Compensated Absences Payable	331,031	331,031
Capital Lease Payable (net of current portion)	76,617	76,617
Net Pension Liability	1,329,031	1,329,031
Total Liabilities	<u>1,982,313</u>	<u>1,982,313</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable Revenue - 2019 assessed property taxes	5,480,804	5,480,804
Pension Plan differences - PERSI	634,713	634,713
Total Deferred Inflows of Resources	<u>6,115,517</u>	<u>6,115,517</u>
<b>NET POSITION</b>		
Net investment in capital assets	4,466,359	4,466,359
Unrestricted	1,976,463	1,976,463
Total Net Position	<u>\$ 6,442,822</u>	<u>\$ 6,442,822</u>

See accompanying notes to financial statements and independent auditors' report.

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Statement of Activities**  
**Year Ended September 30, 2019**

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
<b>Functions/Programs:</b>				
<b>Governmental Activities</b>				
Personnel	\$ 3,892,544	-	-	\$ (3,892,544)
Payroll Taxes and Benefits	1,648,730	-	-	(1,648,730)
Station Expenses	83,848	-	-	(83,848)
Vehicle Maintenance and Repair	63,401	-	-	(63,401)
Fire Battalion Division	86,413	-	-	(86,413)
Office Expense	78,740	-	-	(78,740)
Administration Expenses	31,463	-	-	(31,463)
Insurance	60,983	-	-	(60,983)
Vehicle Fuel	37,754	-	-	(37,754)
Other	18,868	-	-	(18,868)
Professional Fees	10,953	-	-	(10,953)
Training Division	15,947	-	-	(15,947)
Inspection/Prevention Division	7,605	64,664	-	57,059
EMS Operation Division	16,377	1,392,271	-	1,375,894
Grant	-	-	-	18,811
Communications	2,335	-	-	(2,335)
Rent	810	-	-	(810)
Depreciation - unallocated	300,793	-	-	(300,793)
Interest and Finance Charges - unallocated	6,315	-	-	(6,315)
<b>Total Governmental Activities</b>	<b>\$ 6,363,879</b>	<b>1,456,935</b>	<b>-</b>	<b>\$ (4,888,133)</b>
<b>General Revenues:</b>				
Property Taxes				5,200,321
Sales Tax				185,679
Interest/Investment Income				99,908
Other				71,899
Gain/(Loss) Sale of Assets				-
<b>Total general revenues and transfers</b>				<b>5,557,807</b>
<b>Change in Net Position</b>				<b>669,674</b>
Net Position-beginning				5,773,148
<b>Net Position-ending</b>				<b>\$ 6,442,822</b>

See accompanying notes to financial statements and independent auditors' report.

**NORTHERN LAKES FIRE PROTECTION DISTRICT**

**Balance Sheet  
Governmental Funds  
September 30, 2019**

	General Fund	Total
<b>ASSETS</b>		
Cash & Cash Equivalents	\$ 3,909,942	\$ 3,909,942
Receivables:		
Accounts Receivable (net)	6	6
Property Taxes (net)	44,405	44,405
Sales Taxes	51,252	51,252
Prepaid Expenses	79,152	79,152
Total Assets	\$ 4,084,757	4,084,757
<b>LIABILITIES</b>		
Accounts Payable	\$ 8,419	\$ 8,419
Checks in Excess of Deposits	-	-
Payroll, Benefits & Taxes Payable	156,742	156,742
Total Liabilities	165,161	165,161
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable Revenue - property taxes	37,325	37,325
Total Deferred Inflows of Resources	37,325	37,325
<b>FUND BALANCE (DEFICITS)</b>		
Nonspendable:		
Prepaid Expenses	79,152	79,152
Unassigned:	3,803,119	3,803,119
Total Fund Balances	3,882,271	3,882,271
 Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 4,084,757	\$ 4,084,757

See accompanying notes to financial statements and independent auditors' report.

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**September 30, 2019**

Total fund balances at September 30, 2019 - Governmental Funds		\$ 3,882,271
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds:		
Cost of capital assets at September 30, 2019	9,003,703	
Less: Accumulated depreciation as of September 30, 2019	<u>(4,386,078)</u>	4,617,625
Deferred outflows of resources represent a consumption of fund equity that will be reported as an outflow of resources in a future period and therefore, are not reported in the funds:		
Deferred outflows of resources-pension plan		357,466
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds:		
Elimination of unavailable revenue - property taxes		37,325
Deferred inflows of resources represent an acquisition of fund equity that will be recognized as an inflow of resources in a future period and therefore, are not reported in the funds:		
Deferred inflows of resources-pension plan		(634,713)
Some liabilities are not due and payable in the current period and therefore, are not reported in the funds. Those liabilities consist of:		
Net pension liability	(1,329,031)	
Capital Lease	(151,266)	
Compensated absences	(331,031)	
Interest	(5,818)	
Rounding adjustment	<u>(6)</u>	(1,817,152)
Net position of governmental activities at September 30, 2019		<u>\$ 6,442,822</u>

See accompanying notes to financial statements and independent auditors' report.

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Fund Types**  
**Year Ended September 30, 2019**

	General Fund	Total
<b>Revenues:</b>		
Property Taxes	\$ 5,227,407	\$ 5,227,407
Emergency Medical Services	1,392,271	1,392,271
Grant Revenue	18,811	18,811
Sales Taxes	185,679	185,679
Fees and Permits	64,664	64,664
Other	71,899	71,899
Interest Income	99,908	99,908
Total Revenues	7,060,639	7,060,639
<b>Expenditures:</b>		
Personnel	3,887,624	3,887,624
Payroll Taxes and Benefits	1,621,795	1,621,795
Station Expenses	83,848	83,848
Vehicle Maintenance and Repair	63,401	63,401
Fire Battalion Division	86,413	86,413
Office Expense	78,740	78,740
Administration Expenses	31,463	31,463
Insurance	60,983	60,983
Vehicle Fuel	37,754	37,754
Other	18,868	18,868
Professional Fees	10,953	10,953
Training Division	15,947	15,947
Inspection/Prevention Division	7,605	7,605
EMS Operation Division	16,377	16,377
Communications	2,335	2,335
Rent	810	810
Capital Outlays	92,398	92,398
Debt Service Payments:		
Principal	72,616	72,616
Interest	6,315	6,315
Total Expenditures	6,196,245	6,196,245
Excess (Deficiency) of Revenues Over Expenditures	864,394	864,394
<b>Other Financing Sources (Uses):</b>		
Transfers In	-	-
Transfers Out	-	-
Proceeds from Sale of Assets	-	-
Proceeds from Financing Sources	-	-
Total Financing Other Sources (Uses)	-	-
Net Change in Fund Balance	864,394	864,394
Fund Balance - October 1,	3,017,877	3,017,877
Fund Balance - September 30,	\$ 3,882,271	\$ 3,882,271

See accompanying notes to financial statements and independent auditors' report.

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2019**

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - total governmental funds	\$ 864,394
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expenses. This is the amount by which capital outlays exceeded depreciation expense in the current period.</p>	
Capital Outlay	92,398
Depreciation	(300,793)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Property Taxes	(27,086)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net assets.</p>	
Proceeds from Sale of Assets	
Gain on Sale of Assets	
<p>The issuance of long-term debt (e.g., bonds, leased) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>	
Decrease in capital lease payable	72,616
Increase in interest payable	
Increase in compensated absences	(4,920)
Increase in pension plan expense	(479,774)
Decrease in PERSI contributions	452,839
<p>The net pension effect related to the pension expense recognized for the year.</p>	
Change in net position of governmental activities	\$ 669,674

See accompanying notes to financial statements and independent auditors' report.

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2019**

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

**Reporting Entity**

The Northern Lakes Fire Protection District (the "District") was formed on October 1, 2000, through an Agreement to Consolidate entered into by Hayden Lake Fire Protection District and Rathdrum Rural Fire Protection District. The District provides for the public's safety through fire protection and emergency medical services. The District operates under a locally elected Board of Commissioners who has the authority to make decisions, the power to designate management, the responsibility to significantly influence operations, and the primary accountability for fiscal matters.

The accompanying financial statements present the activities of the Northern Lakes Fire Protection District. The District's combined financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) Codification of Government Accounting and Financial Reporting Standards, include whether:

- ✓ The Organization is legally separate (can sue and be sued in their own name)
- ✓ The District holds the corporate powers of the organization
- ✓ The District appoints a voting majority of the organization's board
- ✓ The District is able to impose its will on the Organization
- ✓ The Organization has the potential to impose a financial benefit/burden on the District
- ✓ There is a fiscal dependency by the Organization on the District

Based on the aforementioned criteria, the District has no component units.

The District is a governmental subdivision of Idaho and body politic and corporate. The District has oversight responsibility and control over all activities related to the District's functions. The District is not included in any other governmental "reporting entity" as defined in GASB pronouncements, since the public elects the District Commissioners. All accounts and operations of the District are included in these financial statements.

The financial statements of Northern Lakes Fire Protection District have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant of the District accounting policies are described below.

**Basis of Presentation**

*Government-wide Financial Statements* – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government. Eliminations have been made to minimize the double-counting of internal activities. These statements present the *governmental activities* of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The government-wide statement of activities presents a comparison between direct and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues of the District, with certain limited exceptions.

*See independent auditor's report.*

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**Basis of Presentation – (Continued)**

The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

*Fund Financial Statements* – The fund financial statements report detailed information about the District's funds. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary funds are reported by fund type. The District has one governmental fund, the general fund.

*General Fund* – This is the District's operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Principal sources of revenue are property taxes and other intergovernmental revenues, emergency medical service revenues, grant revenues, and management contract revenues. Primary expenditures are for payroll and personnel expenses, maintenance and repairs, administrative expenses, and fire battalion expenses.

**Measurement Focus and Basis of Accounting**

*Government-wide Financial Statements* – The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements* – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year end. Property taxes are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**Major Funds**

Generally accepted accounting principles require that the general fund be reported as a major fund. In addition, major funds include all other government funds whose total assets, liabilities, revenues, or expenditures are at least 10% or more of the total for all government funds. Accordingly, the District maintains only one governmental major fund type, the general fund.

**Assets, Liabilities, and Equity**

**Cash, Cash Equivalents, and Investments**

The District has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with a fiscal agent. Additionally, the District's investments in the Idaho State Investment Pool are considered cash equivalents because cash can be deposited and withdrawn at any time without prior notice or penalty. The Pool's investments are reported at fair value at September 30, 2019.

*See independent auditor's report.*

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**Accounts Receivable**

The District records real and personal property taxes as they are assessed, and not as they are collected. Cancellations and uncollectible taxes for this and prior years were minimal, thus no allowance for uncollectible taxes is necessary.

Receivables for Federal and State grants, federal revenue sharing entitlements, and state, county, and local shared revenue are recorded as revenue in all fund types as measurable and available.

**Capital Assets**

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at historical cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements and interest incurred during the construction of capital assets are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	5-33
Fire & EMS Trucks, Vehicles, and Boats	2-25
Fire Fighting Equipment	2-27
Office Equipment	5-20

GASB No. 34 requires the District to report and depreciate new infrastructure assets. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. The District does not, as a matter of course, build or maintain such assets outside of expenditures included in the costs of their buildings and improvements. Therefore, no separate category of capital assets has been created for infrastructure and there are no plans to retroactively report infrastructure assets.

**Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments and the noncurrent portion of capital leases, which will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within 60 days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

*See independent auditor's report.*

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**Accrued Liabilities and Long-term Obligations – (Continued)**

Leases, which meet certain criteria established by the Financial Accounting Standards Board, are classified as capital leases, and the assets and related liabilities are recorded at amounts equal to the lesser of the present value of minimum lease payments or the fair value of the leased property at the beginning of the respective lease term. Leases which do not meet the criteria of a capital lease are classified as operating leases.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government does have items that qualify for reporting in this category, associated with the pension base plan, and reported in the statement of net position only. Note 8 outlines the outflows of resources associated with the pension base plan.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The government has two types of items, which arises under the government-wide accrual basis of accounting that qualifies for reporting in this category and one item, which arises under the modified accrual basis of accounting. Accordingly, one item, unavailable revenue from property taxes is reported on both the statement of net position and governmental fund balance sheet. The other item is associated with the pension base plan and reported in the statement of net position only. See Note 8 for details on the pension plan. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Pensions**

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Compensated Absences**

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees who qualify.

Employees are granted vacation and sick leave benefits in varying amounts to specified maximums based on tenure and hours worked per week. Generally, after six months of service, employees are entitled to their accrued vacation leave upon separation of service. The District's compensated absence liability at September 30, 2019 was \$331,031.

The District does not pay accrued sick leave to employees upon termination, but does pay up to 30% of accrued sick leave to employees retiring from the District. No reasonable estimate can be made of the amount of unused sick leave the District may have to pay in the future, so no liability is recognized.

*See independent auditor's report.*

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**Net Position Flow Assumptions**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**Fund Balance Flow Assumptions**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a committed (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing commission is the highest level of decision-making authority of the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The commission may assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Fund balances are classified as follows:

Nonspendable—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted—Amounts that can be spent only for specific purposes because of the state or federal laws, or externally imposed conditions by grantors or creditors.

Committed—Amounts that can be used only for specific purposes determined by a formal action by Board of Commissioner's resolution. This includes the budget reserve account.

Assigned—Amounts that are designated by the Chief for a specific purpose but are not spendable until a budget ordinance is passed by the Board of Commissioners.

Unassigned—All amounts not included in other spendable classifications.

*See independent auditor's report.*

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**Program Revenues**

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**Property Taxes**

Property taxes are levied each November and attach as an enforceable lien on property. The levy is based on the assessed value listed as of the prior September for all property located within the District and is assessed by the County Assessor. They are payable in two installments due by December 20 and June 20 of the following year. The taxes are collected for and remitted to the District by Kootenai County.

Property taxes levied for 2018 are recorded as receivables. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent that they are collected within 60 days of year-end, in accordance with the modified accrual basis of accounting. Receivables collectible after the 60-day date are reflected in the fund financial statements as deferred revenues. In the government-wide financial statements property taxes are recorded as revenue in the period levied, in accordance with the accrual basis of accounting.

Property tax becomes a lien on the property when it is levied. State statute sets maximum property tax rates for the general fund of the Northern Lakes Fire District.

**Unemployment Benefits**

The District has chosen to pay unemployment benefits as they arise rather than make periodic payments to the Idaho Department of Labor. Recent job restructuring and employee turnover could result in a liability in the coming years as unemployment insurance claims are made. No estimate of this liability, if any, could be made at the date of this report. Expenditures for unemployment benefits totaled \$0 for the fiscal year ending September 30, 2019.

**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, injuries to employees and natural disasters. The District contracts with VFIS (Volunteer Firemen's Insurance Services) for property and general liability insurance. The District obtains workman's compensation insurance through the Idaho State Insurance Fund. The workman's compensation insurance premium is calculated based on accident history and administrative costs.

**Extraordinary and Special Items**

Extraordinary items are transactions that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Commissioners and that are either unusual in nature or infrequent in occurrence. There were no extraordinary items recorded during fiscal year September 30, 2019.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Significant estimates included in these financial statements consist of the useful lives of depreciable assets and the future liability for compensated absences.

*See independent auditor's report.*

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 2 - CASH AND INVESTMENTS**

**Summary of Deposit and Investment Balances**

**General**

State statutes authorize the District's investments. The Northern Lakes Fire District is authorized to invest in demand deposits, savings accounts, U.S. Government obligations and its agencies, obligations of Idaho and its agencies, fully collateralized repurchase agreements, prime domestic commercial paper, prime domestic bankers acceptances, bonds, debentures or notes of any corporation organized, controlled and operating within the U.S. which have at their purchase an "A" rating or higher, government pool and money market funds consisting of any of these securities listed. No violations of these categories have occurred.

**Custodial Credit Risk**

Custodial credit risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk as it deposits funds in financial institutions that are members of the U.S. Federal Deposit Insurance Corporation (FDIC) and has never experienced such a loss. As of September 30, 2019, the District's deposits were exposed to custodial credit risk as follows:

<i>Deposits without exposure to custodial credit risk:</i>	
Amount insured by FDIC or other agencies	\$ 118,608
Amount collateralized with securities held in trust, but not in District's name	3,889,923
Total deposits without exposure to custodial credit risk	<u>\$ 4,008,531</u>
<i>Deposits with exposure to custodial credit risk:</i>	
Amounts uninsured-exposed to custodial credit risk	\$ -
Total bank balance (deposits)	<u>\$ 4,008,531</u>
Cash and cash equivalents at September 30, 2019 consist of the following:	
Cash	
Deposits with financial institutions	\$ 19,919
Cash on hand	100
Cash equivalents	
Money market funds and savings	-
Idaho state investment pool	3,889,923
	<u>\$ 3,909,942</u>

**State Investment Pool**

Investments in 2a7-like pools are valued based upon the value of pool shares. The District invests in one 2a7-like pool, the Idaho State Investment Pool. The advisory board of the Idaho State Investment Pool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act.

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 2 - CASH AND INVESTMENTS – (CONTINUED)**

**State Investment Pool – (Continued)**

The State Investment Pool is duly chartered and administered by the State Treasurer’s Office and consists of US Treasury bills and notes, collateralized certificates of deposit and repurchase agreements. The pool does not include any involuntary participants.

Investments for the District are reported at fair value. Accordingly, the balances that the District has in the State Investment Pool are carried at fair value pursuant to GASB 31, and calculated on a monthly basis. The District’s portion of the State Investment Pool had an unrealized gain of \$13,226 as of September 30, 2019, which has not been reflected in the financial statements. The unrealized gain was based on a fair market value adjustment factor of 1.0034 that was calculated by the State of Idaho’s Treasurer’s Office.

GASB Statement No. 40 requires the District to assign risk categories for its investments, except those in which securities are not used as evidence of the investment. Credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. The District’s exposure to credit risk is not available.

**NOTE 3 – RECEIVABLES**

The following is a schedule of property taxes assessed for the year, collected and remaining to be received.

Year	Balance 9/30/18	Levy 2018	Adjustments & Collections	Balance 9/30/19
2015-2017	\$ 83,889	5,153,286	(5,192,770)	\$ 44,405

In accordance with NCGA Interpretation #3, revenue, which is not received within 60 days of the year-end, has been reflected as deferred inflows of resources – unavailable revenue for property taxes. The balance as of September 30, 2019 is as follows:

Taxes Due at September 30, 2019	\$ 44,405
Received October 2018	(300)
Received November 2018	(6,780)
Total	\$ 37,325

In the government-wide financial statements, the District has recorded the 2019 property tax assessment amounts as follows:

Property taxes-current	\$ 5,480,804
Property taxes-delinquent	44,405
Total property taxes (net)	\$ 5,525,209
Deferred Inflows of Resources:	
Unavailable Revenue - 2019 assessed property taxes	\$ 5,480,804

See independent auditor’s report.

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 3 – RECEIVABLES – (CONTINUED)**

Accounts receivable include amounts due from various customers generally for service fees. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectible. Allowances are reported when accounts are proven to be uncollectible. The allowance for uncollectible accounts was \$0 for the year ended September 30, 2019.

**NOTE 4 – OPERATING AGREEMENT WITH KOOTENAI COUNTY EMERGENCY MEDICAL SERVICES SYSTEM**

The District has entered into a cooperative agreement with Kootenai County Emergency Medical Services System (KCEMSS) authorized by Kootenai County. This agreement is to provide first responder services and mutual aid when the District has the available resources to do so. These employees shall remain the employees of the District at all times, and the District is responsible for payment of wages, benefits and payroll taxes. KCEMSS paid the District \$1,392,271 for the fiscal year 2018/19.

**NOTE 5 – COMMITMENTS AND CONTINGENCIES**

The Professional Fire Fighters of Idaho, Northern Lakes Local 4045 (a union), has the authority to collectively bargain for the firefighters of the District. The contract covers 83% of the District's employees. No strike by this organization is expected within the next year.

The District paid annual fees of \$810 during the year ended September 30, 2019 for the use of land on which two fire stations have been built. The District is obligated to pay this same amount in future years.

The District's training facility is on property owned by Kootenai County. A lease agreement with Kootenai County for the location is pending.

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2019 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental Activities</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 863,027	-	-	863,027
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	863,027	-	-	863,027
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	3,480,341	2,700	-	3,483,041
Fire & EMS Trucks, Vehicles, and Boat	3,364,854	-	-	3,364,854
Fire Fighting Equipment	1,171,286	70,743	(24,354)	1,266,383
Office Equipment	56,152	18,955	-	75,107
Total capital assets being depreciated	8,072,633	92,398	(24,354)	8,189,385
Less accumulated depreciation for:				
Buildings and Improvements	1,479,240	87,090	-	1,566,330
Fire & EMS Trucks, Vehicles, and Boat	1,537,303	176,134	-	1,713,437
Fire Fighting Equipment	1,042,200	34,562	(24,354)	1,101,116
Office Equipment	50,897	3,008	-	53,904
Total accumulated depreciation	4,109,640	300,794	(24,354)	4,434,787
Total capital assets being depreciated, net	3,962,993	(208,396)	-	3,754,598
Governmental activity capital assets, net	<u>\$ 4,826,020</u>	<u>(208,396)</u>	<u>-</u>	<u>4,617,625</u>

Depreciation expense of \$300,793 for the year ended September 30, 2019 was charged entirely to fire protection and emergency medical services.

**NOTE 7 – CAPITAL LEASE**

In January 2014, the District entered into a lease agreement to purchase two Rosenbauer tender/pumpers. Annual lease payments of \$77,256 are required, including interest at 2% for seven years beginning January 15, 2015. In this fiscal year, this was paid off early.

In September 2017, the District entered into a lease agreement to purchase a Rosenbauer Motors Pumper Apparatus. Annual lease payments of \$78,931 are required, including interest at 2.79% for four years beginning February 1, 2018.

**Capital Lease Activity**

Changes in long-term obligations for the year ended September 30, 2019 are as follows:

	10/1/2018	Increases	Decreases	9/30/2019
<b>Governmental Activities:</b>				
Capital Leases Payable	223,882		72,616	151,266
Total	<u>\$ 223,882</u>	<u>-</u>	<u>72,616</u>	<u>151,266</u>

See independent auditor's report.

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 7 – CAPITAL LEASE – (CONTINUED)**

**Capital Lease Activity – (Continued)**

Debt Service Requirements

The following schedule presents future minimum lease payments as of September 30, 2019:

Year Ended September 30,	Governmental Activities		
	Capital Leases Payable		
	Principal	Interest	Total
2020	74,649	7,283	81,932
2021	76,617	5,883	82,500
Total	\$ 151,266	13,166	164,432

The leased equipment under capital leases in capital assets at September 30, 2019, includes the following:

2014 Tender/Pumper (V-36)	\$ 283,315
2014 Tender/Pumper (V-37)	283,315
2016 Pumper (V-39)	552,295
Less: Accumulated Depreciation	(237,332)
Total	<u>\$ 881,593</u>

**NOTE 8 – PENSION PLAN**

**Plan Description**

Northern Lakes Fire Protection District contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

Responsibility for administration of the overall system is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

**Pension Benefits**

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

See independent auditor's report.

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 8 – PENSION PLAN – (CONTINUED)**

**Pension Benefits – (Continued)**

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

**Member and Employer Contributions**

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2019, it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percentage of covered payroll is set by the Retirement Board and was 11.32% general employees and 11.66% for police and firefighters. At July 1, 2019 the contributions rates increased to 7.16% for general employees and 8.81% for police and firefighters. The employer contribution rate as a percentage of covered payroll is set by the Retirement Board and was 11.94% general employees and 12.28% for police and firefighters. The District's contributions were \$452,839 for the year ended September 30, 2019.

**Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At September 30, 2019, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2019, the District's proportion was 0.1164313 percent.

For the year ended September 30, 2019, the District recognized pension expense of \$479,774. At September 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	-	156,633
Changes in assumptions or other inputs	73,928	-
Net difference between projected and actual earnings on pension plan investments	123,513	452,762
Change in the District's proportion and differences between the District's contributions and the District's proportionate contributions	195,567	41,150
Amortized change in prior year's proportionate share	(133,682)	(15,832)
District's contributions subsequent to the measurement date	98,140	-
Total	<u>\$ 357,466</u>	<u>\$ 634,713</u>

See independent auditor's report.

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 8 – PENSION PLAN – (CONTINUED)**

**Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – (Continued)**

\$98,140 reported as deferred outflows of resources related to pensions resulting from Agency's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2019.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2018 the beginning of the measurement period ended June 30, 2018 is 4.8 and 4.8 for the measurement period June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year ended September 30:

2020	\$(19,085)
2021	(188,346)
2022	(104,556)
2023	(63,402)

**Actuarial Assumptions**

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Salary inflation	3.75%
Investment rate of return*	7.05%
Cost-of-living adjustments	1.00%

\*net of pension plan investment expense

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 8 – PENSION PLAN – (CONTINUED)**

**Actuarial Assumptions – (Continued)**

Mortality rates were based on the RP - 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

An experience study was performed for the period July 1, 2013 through June 30, 2017 which reviewed all economic and demographic assumptions including mortality. The Total Pension Liability as of June 30, 2019 is based on the results of an actuarial valuation date of July 1, 2019.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of PERSI's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2017.

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 8 – PENSION PLAN – (CONTINUED)**

**Capital Market Assumption**

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return	Long-Term Expected Real Rate of Return
Core Fixed Income	30.00%	3.05%	0.80%
Broad US Equities	55.00%	8.30%	6.05%
Developed Foreign Equities	15.00%	8.45%	6.20%
Assumed Inflation - Mean		2.25%	2.25%
Assumed Inflation - Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.75%	4.50%
Portfolio Standard Deviation		12.54%	12.54%
Portfolio Long-Term (Geometric) Expected Rate of Return		6.13%	3.77%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses		5.73%	3.37%
Portfolio Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.19%
Portfolio Standard Deviation			14.16%
<u>Valuation Assumptions Chosen by PERSI Board</u>			
Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.05%
Assumed Inflation			3.00%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses			<u>7.05%</u>

**Discount Rate**

The discount rate used to measure the total pension liability was 7.05%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

See independent auditor's report.

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 8 – PENSION PLAN – (CONTINUED)**

**Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate**

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.05 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.05 percent) or 1-percentage-point higher (8.05 percent) than the current rate:

	1% Decrease (6.05%)	Current Discount Rate (7.05%)	1% Increase (8.05%)
District's proportionate share of the net pension liability (asset)	\$ 4,014,185	\$ 1,329,031	\$ (891,506)

**Pension plan fiduciary net position**

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

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

**NOTE 9 – DEFERRED COMPENSATION PLAN**

The PERSI system also offers its participants a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all District employees eligible for PERSI, permits them to defer a portion of their salary up to \$18,500 per year. During fiscal year 2012/13, the District's employees began participating in this plan. The District match is 6% of employee compensation, which amounted to total of \$212,430 for the fiscal year ending September 30, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

**NORTHERN LAKES FIRE PROTECTION DISTRICT  
SCHEDULE OF DISTRICT'S SHARE OF NET PENSION LIABILITY  
PERSI - Base Plan  
Last 10 - Fiscal Years \***

	<u>09/30/2019</u>	<u>09/30/2018</u>	<u>09/30/2017</u>	<u>09/30/2016</u>	<u>9/30/2015</u>
District's portion of the net pension liability	0.1164313%	0.1179682%	0.1179474%	0.1190456%	0.1144500%
District's proportionate share of the net pension liability	\$ 1,329,031	\$ 1,740,052	\$ 1,853,931	\$ 2,413,237	\$ 1,507,120
District's covered-employee payroll	\$ 3,937,767	\$ 3,775,450	\$ 3,644,050	\$ 3,446,882	\$ 3,194,425
District's proportional share of the net pension liability as a percentage of its covered-employee payroll	33.75%	46.09%	50.88%	70.01%	47.18%
Plan fiduciary net position as a percentage of the total pension liability	93.79%	91.69%	90.68%	87.26%	91.38%

\* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, Northern Lakes Fire Protection District will present information for those to use for which information is available.

Data reported is measured as of June 30, 2019 (measurement date)

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS  
PERSI - Base Plan  
Last 10 - Fiscal Years \***

	<u>09/30/2019</u>	<u>09/30/2018</u>	<u>09/30/2017</u>	<u>09/30/2016</u>	<u>9/30/2015</u>
Statutorily required contribution	\$ 445,513	\$ 458,119	\$ 397,733	\$ 353,878	\$ 374,368
Contributions in relation to the statutorily required contribution	\$ (454,176)	\$ (435,467)	\$ (420,326)	\$ (399,529)	\$ (367,660)
Contribution (deficiency) excess	\$ (8,663)	\$ 22,653	\$ (22,593)	\$ (45,651)	\$ 6,708
District's covered-employee payroll	\$ 3,937,767	\$ 3,775,450	\$ 3,644,050	\$ 3,446,882	\$ 3,194,425
Contributions as a percentage of covered-employee payroll	11.53%	11.53%	11.53%	11.59%	11.51%

\* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, Northern Lakes Fire Protection District will present information for those to use for which information is available.

Data reported is measured as of June 30, 2019 (measurement date)

See independent auditors' report.

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Schedule of Revenue, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - All Governmental Fund Types**  
**Year Ended September 30, 2019**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues:</b>				
Property Taxes	\$ 5,187,946	\$ 5,187,946	\$ 5,227,407	\$ 39,461
Emergency Medical Services	1,389,205	1,389,205	1,392,271	3,066
Grant Revenue	-	-	18,811	18,811
Sales Tax	150,000	150,000	185,679	35,679
Fees and Permits	75,000	75,000	64,664	(10,336)
Other	89,725	89,725	71,899	(17,826)
Interest Income	50,000	50,000	99,908	49,908
Total Revenues	<u>6,941,876</u>	<u>6,941,876</u>	<u>7,060,639</u>	<u>118,763</u>
<b>Expenditures:</b>				
Personnel	4,194,300	4,194,300	3,887,624	306,676
Payroll Taxes and Benefits	1,901,425	1,901,425	1,621,795	279,630
Station Expenses	114,500	114,500	83,848	30,652
Vehicle Maintenance and Repair	75,000	75,000	63,401	11,599
Fire Battalion Division	148,100	148,100	86,413	61,687
Office Expense	90,300	90,300	78,740	11,560
Administration Expenses	57,000	57,000	31,463	25,537
Insurance	62,609	62,609	60,983	1,626
Vehicle Fuel	45,000	45,000	37,754	7,246
Other	-	-	18,868	(18,868)
Professional Fees	18,000	18,000	10,953	7,047
Training Division	50,000	50,000	15,947	34,053
Inspection/Prevention Division	8,700	8,700	7,605	1,095
EMS Operation Division	17,200	17,200	16,377	823
Communications	30,000	30,000	2,335	27,665
Rent	79,742	79,742	810	78,932
Capital Outlays	-	-	92,398	(92,398)
Contingency	50,000	50,000	-	50,000
Debt Service Payments - Principal	-	-	72,616	(72,616)
Debt Service Payments - Interest	-	-	6,315	(6,315)
Total Expenditures	<u>6,941,876</u>	<u>6,941,876</u>	<u>6,196,245</u>	<u>745,631</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>864,394</u>	<u>864,394</u>
<b>Other Financing Sources:</b>				
Proceeds from Sale of Assets	-	-	-	-
Proceeds from Financing Sources	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	864,394	864,394
Fund Balance - October 1,	<u>3,017,877</u>	<u>3,017,877</u>	<u>3,017,877</u>	
Fund Balance - September 30,	<u>\$ 3,017,877</u>	<u>\$ 3,017,877</u>	<u>\$ 3,882,271</u>	

See accompanying notes to the budget and independent auditors' report.

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Notes to the Budget and Actual Schedule**  
**September 30, 2019**

The District's annual budget is a management tool that assists its users in analyzing financial activity for its fiscal year ending September 30.

Because of the District's dependency on state and local budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding.

The District follows the following procedures in establishing the budgetary data reflected in the financial statements:

- a. In August, the Fire Chief submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Prior to October 1, the Board of Commissioners formally approves the budget document following a public hearing.
- c. The approved annual budget is used as a control device for the governmental funds.
- d. The budget for the governmental funds is adopted on a basis consistent with generally accepted accounting principles (GAAP) applicable to state and local governments.
- e. Appropriations for the governmental funds lapse at the end of the fiscal year.
- f. Expenditures cannot legally exceed appropriations at the fund level. Expenditures are monitored on a monthly basis by the accountant and Fire Chief. When expenditures are required for functions that have not been budgeted, authorization to incur the expenditures is requested from the Board of Commissioners by resolution during its regular monthly meetings. There was no budget amendment in the current fiscal year.

REPORT REQUIRED BY GAO



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**INDEPENDENT AUDITORS' 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**

Board of Commissioners  
Northern Lakes Fire Protection District  
Hayden, ID

We have audited, in accordance with the auditing standards generally accepted in the United State 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 and each major fund of Northern Lakes Fire Protection District, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise Northern Lakes Fire Protection District's basic financial statements, and have issued our report thereon dated January 27, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Northern Lakes 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northern Lakes Fire Protection District's internal control. Accordingly, we do not express an opinion on the effectiveness of Northern Lakes 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 import 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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



Anderson Bros. CPAs  
Post Falls, Idaho  
January 27, 2020