

**NORTHERN LAKES FIRE
PROTECTION DISTRICT**

FINANCIAL AUDIT REPORTS AND STATEMENTS

FOR THE YEAR ENDED
September 30, 2020

Prepared by

Anderson
BROS. CPAs

TABLE OF CONTENTS

Financial Audit:

Independent Auditors' Report	1
Management's Discussion & Analysis	3

Basic Financial Statements:

Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Governmental Funds- Balance Sheet	14
Reconciliation of the Governmental Funds Balance Sheet To the Statement of Net Position	15
Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	17
Notes to the Financial Statements	18

Required Supplementary Information:

Schedule of Employer's Share of Net Pension Liability – PERSI Plan	33
Share of the Employer Contributions – PERSI Plan	33
Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual – Governmental Fund Types	34
Notes to Budget and Actual Schedule	35

Report Required by the GAO:

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on and Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .	36
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INDEPENDENT AUDITORS' REPORT



1810 E Schneidmiller Ave. Ste. 310
Post Falls, Idaho 83854
208-777-1099

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, 2020 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 September 30, 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 33, and the budgetary comparison information on pages 34 through 35 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 March 16, 2021, 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
March 16, 2021

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, 2020. 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 \$4,568,882 at the end of the fiscal year.
- Total revenues for the reporting period were \$7,476,699, an overall increase of \$416,060 from the previous year.
- Actual expenditures this fiscal year were 9.8% more (\$604,843) than the year before, for a total of \$6,801,088 due in large part to the addition of one new suppression position, building improvements, replacement of personal protective equipment, and purchase of fire battalion and office equipment related to the COVID-19 pandemic.
- Including proceeds from the sale of assets, the District's revenues exceeded expenditures by \$686,611 resulting in a fund balance of \$4,586,882 as of September 30, 2020.
- Of the total fund balance, \$79,603 is non-spendable as pre-paid expenses for ensuing fiscal year; with the balance of \$4,489,279 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.

NORTHERN LAKES FIRE PROTECTION DISTRICT
 Management's Discussion and Analysis
 September 30, 2020

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. 2020</u>	<u>Sep 30. 2019</u>
Current Assets	\$ 10,637,259	\$ 9,565,561
Capital Assets Net of Depreciation	<u>4,766,976</u>	<u>4,617,625</u>
Total Assets	\$ 15,404,235	\$14,183,186
Deferred Outflows of Resources	<u>\$ 678,687</u>	<u>\$ 357,466</u>
Total Combined Assets & Deferred Outflows of Resources	<u>\$16,082,922</u>	<u>\$14,540,652</u>
Current and Other Liabilities	\$ 3,356,640	\$ 1,982,313
Deferred Inflows of Resources	<u>\$ 5,970,165</u>	<u>\$ 6,115,517</u>
Total Combined Liabilities & Inflows of Resources	<u>\$ 9,326,805</u>	<u>\$ 8,097,830</u>
Net Position:		
Invested in Capital Assets, Net Related Debt	\$ 4,690,346	\$ 4,466,359
Unrestricted	<u>2,065,771</u>	<u>1,976,463</u>
Total Net Position	<u>\$ 6,756,117</u>	<u>\$ 6,442,822</u>
Total Liabilities and Net Position	<u>\$16,082,922</u>	<u>\$14,540,652</u>

Net Position may serve over time as a useful indicator of a government's financial position. The District's assets and deferred outflows exceeded liabilities and deferred inflows by \$6,756,117 as of September 30, 2020. 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 \$2,065,771 is unrestricted and increased by 4.5% over the reporting period.

The District's net position increased by \$313,295 for the fiscal year ended September 30, 2020.

NORTHERN LAKES FIRE PROTECTION DISTRICT
 Management’s Discussion and Analysis
 September 30, 2020

Table 2
 Changes in Net Position

	<u>Sep 30, 2020</u>	<u>Sep 30, 2019</u>
General Revenues		
Property Taxes	\$ 5,611,319	\$ 5,200,321
Sales Taxes	209,330	185,679
Interest	91,599	99,908
Other	29,218	71,899
Gain (Loss) on Disposal of Capital Assets	11,000	0
 Program Revenues		
Specific Grant –Capital	\$ 20,102	\$ 18,811
Specific Contributed - Capital	0	0
 Charges for Services		
Emergency Medical Services	\$ 1,406,812	\$ 1,392,271
Fees and permits	<u>70,994</u>	<u>64,664</u>
 Total Revenues	 <u>\$ 7,450,374</u>	 <u>\$ 7,033,553</u>
 Program Expenses		
Fire Protection and EMS	\$ 7,137,079	\$ 6,363,879
Total Expenses	<u>\$ 7,137,079</u>	<u>\$ 6,363,879</u>

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 of workers compensation benefits paid to personnel, dividend payment on prior year workers compensation insurance coverage, proceeds from the sale of surplus capital assets, and donations from the public.

Beginning in March 2020, the District was able to apply for reimbursement of expenses directly related to addressing the health crisis caused by COVID-19 through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). In June 2020, the District received reimbursement totaling \$20,102 for expenses related to purchase of medical/protective supplies, as well as for costs associated with isolation of personnel exposed to COVID-19. Additional requests for reimbursement of eligible expenses incurred during the fiscal year totaling \$119,000 were applied for, but not yet funded as of Sep 30, 2020.

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.

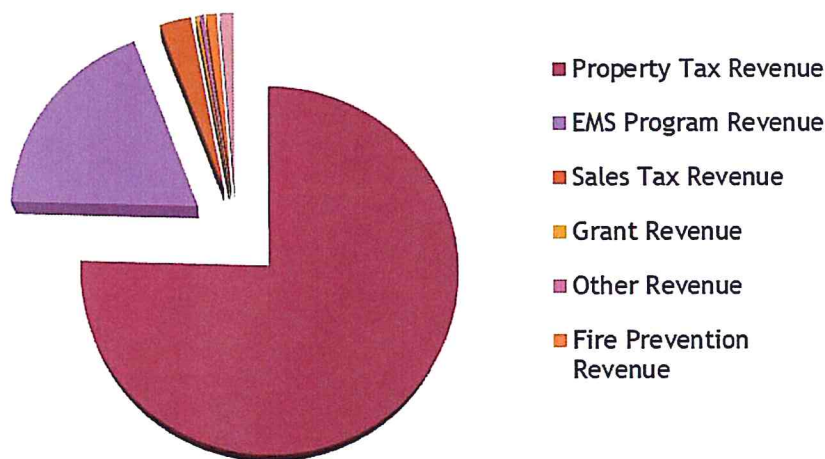
The District’s fire protection and emergency medical services expenses included operating costs for: personnel wages and benefits, including recognized defined benefit pension plan expense; facility maintenance and utilities; vehicle and equipment purchases, repairs and maintenance;

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 \$311,620.

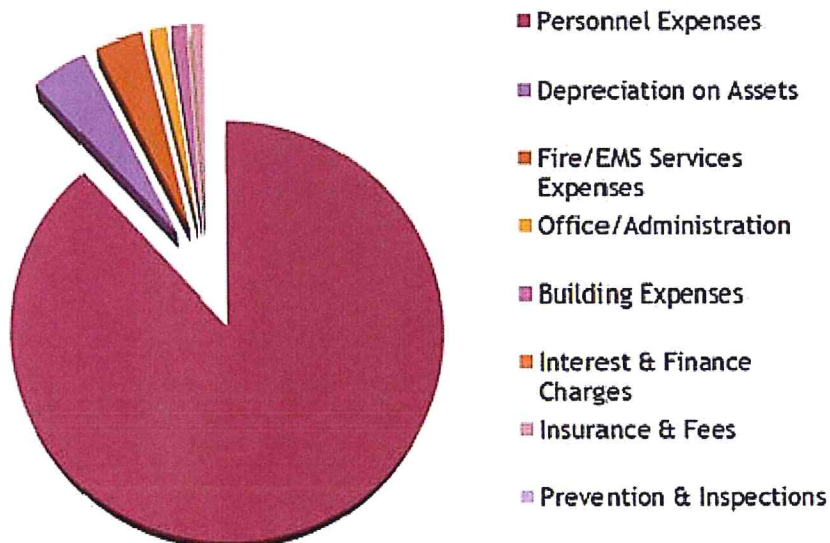
STATEMENT OF ACTIVITIES

The following charts break out revenue sources and budget item expenses as percentages of total revenue and expense for the year ending September 30, 2020.

Revenue by Source



Expenses by Budget Item



NORTHERN LAKES FIRE PROTECTION DISTRICT
Management's Discussion and Analysis
September 30, 2020

The following Table 3 shows revenues, expenditures and changes in fund balance for fiscal year 2020 and 2019 for comparative purposes.

Table 3

Revenues, Expenditures and Changes in Fund Balance

	<u>Sep 30, 2020</u>	<u>Sep 30, 2019</u>
General Revenues		
Property Taxes	\$5,648,644	\$5,227,407
Emergency Medical Services	1,406,812	1,392,271
Grant Revenue	20,102	18,811
Sales Taxes	209,330	185,679
Fees and Permits	70,994	64,664
Interest	91,599	99,908
Other	29,218	71,899
Total Revenues	<u>\$7,476,699</u>	<u>\$7,060,639</u>
 Expenditures		
Personnel	\$4,039,783	\$3,887,624
Payroll Taxes & Benefits	1,702,336	1,621,795
Fire Battalion Division	78,762	86,413
Vehicle Maintenance & Repair	76,564	63,401
Station Expenses	86,061	83,848
Insurance	61,200	60,983
Office Expense	74,130	78,740
Vehicle Fuel	28,680	37,754
Administration Expenses	19,273	31,463
Inspection/Prevention Division	3,732	7,605
Training Division	26,129	15,947
Professional Fees	8,682	10,953
EMS Operation Division	9,237	16,377
Communications	240	2,335
Rent (Land)	809	810
Other	45,561	18,868
Debt Service Payment-Principal	74,636	72,616
Debt Service Payment-Interest	4,303	6,315
Capital Outlay	460,970	92,398
Total Expenditures	<u>\$6,801,088</u>	<u>\$6,196,245</u>
 Excess (Deficit) of Revenues over Expenditures	 \$ 675,611	 \$ 864,394
Proceeds from Sale of Assets	11,000	0
Proceeds from Financing Sources	<u>0</u>	<u>0</u>
 Net Change in Fund Balance	 <u>\$ 686,611</u>	 <u>\$ 864,394</u>
 Fund Balance – End of Year	 <u>\$4,568,882</u>	 <u>\$3,882,271</u>

Overall, total revenues for the reporting period were \$416,060 more than total revenues for the previous fiscal year. As a governmental entity, property taxes accounted for 76% of all fiscal year 2020 revenues, an increase of 2% from fiscal year 2019. Miscellaneous (Other) revenue decreased by \$42,681 over the prior year; this was due in large part to not receiving reimbursement of personnel expenses for wildland fire response from the Idaho Department of Lands (IDL) in the fiscal year.

Fire Prevention review and permit fees collected were up almost 10% from last fiscal year; for an increase in revenues of \$6,330. The District experienced more commercial project approvals this fiscal year, and anticipates more increases in the numbers of both new residential and commercial projects in the next fiscal year.

Sales tax proceeds increased by 12.7% this fiscal year as compared to last for an increase of \$23,651 in revenue. Due to lower interest rates, despite increased reserve funds, the earned interest on cash deposits/investments decreased by 8% for a decrease of \$8,309 in revenue as compared to last fiscal year.

The Kootenai County Emergency Management Services System (KCEMSS) increased the District's fiscal year 2020 contracted services by 1% over the prior year, for an additional \$14,361 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 \$604,843 more than the year before, or an increase of 9.8%. This was due in large part to capital outlay for the anticipated replacement of outdated self-contained breathing apparatus (SCBA) packs at a cost of \$200,000+ and replacement of an 18-year old command vehicle for the Deputy Fire Marshal. The District also saw unanticipated purchases of supplies and equipment related to the COVID-19 pandemic response. These costs were pre-approved for reimbursed by grant funding through the Idaho Coronavirus Aid, Relief and Economic Stimulus (CARES) Act by sometime in 2021.

In summary, the District's revenues exceeded its expenditures by \$675,611 increasing its fund balance at the end of the year by more than 17%.

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 \$4,568,882.

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 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 \$686,611.

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 2020, the District had invested \$9,304,301 (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 \$300,595 from the prior year. With total accumulated depreciation on these assets amounting to \$4,537,325, the net value of the District's capital assets increased by 3.2% from the previous fiscal year, or a total of \$149,350.

This year's changes included the following:

- Replacement of a command vehicle assigned to the Deputy Fire Marshal; the existing vehicle (2002 Dodge Dakota) was declared as surplus by the board of commissioners and disposed of.
- Surplus and disposal of apparatus no longer needed: 1992 International Engine/Pumper and 2001 F350 brush truck.
- Purchase of forty (40) self-contained breathing apparatus (SCBA) packs, two (2) RIT rescue SCBA packs, and a respirator fit test system to replace outdated equipment that was declared as surplus by the board of commissioners and disposed of.
- Real property improvements at Fire Station 2 in Rathdrum of parking lot repairs including super seal and re-striping.
- Real property improvements at Fire Station 1 in Hayden of replacement apparatus bay doors (4); new HVAC systems (2) in crew quarters; and, new flooring to replace carpet throughout building to minimize exposure to COVID-19.
- Purchase of two (2) interactive monitors/Smart TVs to enable virtual and digital training platform between two staffed stations and ability to communicate remotely; minimizing multiple member exposure to COVID-19.
- Purchase of two (2) portable decontamination systems for both staffed stations to safely disinfect large spaces minimizing exposure to COVID-19.

NORTHERN LAKES FIRE PROTECTION DISTRICT
 Management’s Discussion and Analysis
 September 30, 2020

Table 4

Capital Assets at Year-end (Net of Depreciation)	Governmental Activities	
Capital Assets	<u>Sep 30, 2020</u>	<u>Sep 30, 2019</u>
Land	\$ 863,027	\$ 863,027
Buildings/Improvements	3,541,564	3,483,041
Apparatus	3,252,198	3,364,854
Firefighting Equipment	1,544,358	1,217,679
Office Equipment	103,154	75,105
Total Capital Assets	<u>\$ 9,304,301</u>	<u>\$ 9,003,706</u>
Accumulated Depreciation	(4,537,325)	(4,386,080)
Capital Assets (Net of Depreciation)	<u>\$ 4,766,976</u>	<u>\$ 4,617,626</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 \$19,500 of salary per calendar year as of 2020 (and an additional \$6,500 for employees over the age of 50 in 2020) with the District matching employee deferrals of up to 6% of their wages. The District portion contributed for this fiscal year totaled \$220,620.

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 \$401,524, an increase of 21% over the prior year.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

The fiscal year 2021 budget was approved and adopted in August 2020. 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 2/3rd majority approval requirement (at 65.9% approval). The District has plans to submit the ballot issue to eligible voters again in November 2021.

Revenues

The District levied the maximum allowable amount of property tax increase (3%) for fiscal year 2021 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 2020, the Kootenai County EMS System approved a budget increasing the EMS contract payments to the District by 2.8% or an additional amount of \$39,334 for fiscal year 2021.

Expenditures

District operating expenses are anticipated to be 11% more for fiscal year 2021 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 2021 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 2021 to fund the minimal staffing of a third fire station. The District has realized savings in prior expenditure budgets to fund station remodel/replacement as well as purchase of apparatus and equipment.

In addition to funding one additional suppression position, the District budgeted for a new District Fleet Mechanic position in fiscal year 2021. This position will eliminate much of the cost the District spends each year on outsourcing apparatus repair and maintenance, as well as limit the time apparatus is out of service by not having to utilize the Spokane Valley Fire Dept. maintenance shop as often.

The District budgeted expenses for completing a feasibility study on the replacement/renovation of its fire station in Hayden (Station 1). The original building has been renovated over the last 30 years to allow for the increase in number of personnel, including the purchase of a neighboring residential structure for additional offices. The District has outgrown the current space for crew quarters and is unable to assign additional 24-hour suppression staff to respond out of this station. A study will be used to determine the feasibility of renovating the existing building versus replacement.

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, 2020

	Government Activities	Total
ASSETS		
Cash & Cash Equivalents	\$ 4,630,850	\$ 4,630,850
Receivables:		
Accounts Receivable (net)	6	6
Property Taxes (net)	5,870,191	5,870,191
Sales Taxes	56,609	56,609
Prepaid Expenses	79,603	79,603
Capital Assets:		
Land and Land Improvements	863,027	863,027
Capital Assets, net	3,903,949	3,903,949
Total Assets	15,404,235	15,404,235
DEFERRED OUTFLOWS OF RESOURCES		
Pension Plan differences - PERSI	678,687	678,687
Total Deferred Outflows of Resources	678,687	678,687
LIABILITIES		
Accounts Payable	43,105	43,105
Checks in Excess of Deposits	-	-
Payroll, Benefits & Taxes Payable	190,272	190,272
Accrued Interest	4,220	4,220
Portion due or payable within one year:		
Capital Lease Payable	76,630	76,630
Long-Term Liabilities:		
Compensated Absences Payable	401,524	401,524
Capital Lease Payable (net of current portion)	-	-
Net Pension Liability	2,640,889	2,640,889
Total Liabilities	3,356,640	3,356,640
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - 2019 assessed property taxes	5,835,000	5,835,000
Pension Plan differences - PERSI	135,165	135,165
Total Deferred Inflows of Resources	5,970,165	5,970,165
NET POSITION		
Net investment in capital assets	4,690,346	4,690,346
Unrestricted	2,065,771	2,065,771
Total Net Position	\$ 6,756,117	\$ 6,756,117

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

NORTHERN LAKES FIRE PROTECTION DISTRICT
Statement of Activities
Year Ended September 30, 2020

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Functions/Programs:				
Governmental Activities				
Personnel	\$ 6,303,701	\$ 1,477,806	-	\$ (4,825,895)
Facilities	86,870	-	-	(86,870)
Training Division	26,129	-	-	(26,129)
Operations and Administrative	300,817	-	20,102	(280,715)
Vehicle Maintenance and Repair	105,244	-	-	(105,244)
Depreciation - unallocated	311,620	-	-	(311,620)
Interest and Finance Charges - unallocated	2,698	-	-	(2,698)
Total Governmental Activities	<u>7,137,079</u>	<u>1,477,806</u>	<u>20,102</u>	<u>(5,639,171)</u>

General Revenues:

Property Taxes	5,611,319
Sales Tax	209,330
Interest/Investment Income	91,599
Other	29,218
Gain/(Loss) Sale of Assets	11,000
Total general revenues and transfers	<u>5,952,466</u>
Change in Net Position	313,295
Net Position - beginning	6,442,822
Net Position - ending	<u>\$ 6,756,117</u>

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

NORTHERN LAKES FIRE PROTECTION DISTRICT
Balance Sheet
Governmental Funds
September 30, 2020

	General Fund	Total
ASSETS		
Cash & Cash Equivalents	\$ 4,630,850	\$ 4,630,850
Receivables:		
Accounts Receivable (net)	6	6
Property Taxes (net)	35,191	35,191
Sales Taxes	56,609	56,609
Prepaid Expenses	79,603	79,603
Total Assets	\$ 4,802,259	4,802,259
LIABILITIES		
Accounts Payable	\$ 43,105	\$ 43,105
Checks in Excess of Deposits	-	-
Payroll, Benefits & Taxes Payable	190,272	190,272
Total Liabilities	233,377	233,377
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - property taxes	-	-
Total Deferred Inflows of Resources	-	-
FUND BALANCE (DEFICITS)		
Nonspendable:		
Prepaid Expenses	79,603	79,603
Unassigned:	4,489,279	4,489,279
Total Fund Balances	4,568,882	4,568,882
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 4,802,259	\$ 4,802,259

*See accompanying notes to the 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, 2020

Total fund balances at September 30, 2020 - Governmental Funds	\$ 4,568,882
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, 2020	9,304,301
Less: Accumulated depreciation as of September 30, 2020	<u>(4,537,325)</u> 4,766,976
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	678,687
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	-
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	(135,165)
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	(2,640,889)
Capital lease	(76,630)
Compensated absences	(401,524)
Interest payable	<u>(4,220)</u> (3,123,263)
Net position of governmental activities at September 30, 2020	<u>\$ 6,756,117</u>

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

NORTHERN LAKES FIRE PROTECTION DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund Types
Year Ended September 30, 2020

	General Fund	Total
Revenues:		
Property Taxes	\$ 5,648,644	\$ 5,648,644
Emergency Medical Services	1,406,812	1,406,812
Grant Revenue	20,102	20,102
Sales Taxes	209,330	209,330
Fees and Permits	70,994	70,994
Other	29,218	29,218
Interest Income	91,599	91,599
Total Revenues	7,476,699	7,476,699
Expenditures:		
Personnel	4,039,783	4,039,783
Payroll Taxes and Benefits	1,702,336	1,702,336
Station Expenses	86,061	86,061
Vehicle Maintenance and Repair	76,564	76,564
Fire Battalion Division	78,762	78,762
Office Expense	74,130	74,130
Administration Expenses	19,273	19,273
Insurance	61,200	61,200
Vehicle Fuel	28,680	28,680
Other	45,561	45,561
Professional Fees	8,682	8,682
Training Division	26,129	26,129
Inspection/Prevention Division	3,732	3,732
EMS Operation Division	9,237	9,237
Communications	240	240
Rent	809	809
Capital Outlay	460,970	460,970
Debt Service Payments:		
Principal	74,636	74,636
Interest	4,303	4,303
Total Expenditures	6,801,088	6,801,088
Excess (Deficiency) of Revenues Over Expenditures	675,611	675,611
Other Financing Sources (Uses):		
Proceeds from Sale of Assets	11,000	11,000
Proceeds from Financing Sources	-	-
Total Financing Other Sources (Uses)	11,000	11,000
Net Change in Fund Balance	686,611	686,611
Fund Balance - October 1	3,882,271	3,882,271
Fund Balance - September 30	\$ 4,568,882	\$ 4,568,882

See accompanying notes to the 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 September 30, 2020

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

Net Change in Fund Balances - total governmental funds	\$ 686,611
<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	460,970
Depreciation	(311,620)
<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	(37,325)
<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	74,636
Increase in interest payable	1,605
Increase in compensated absences	(70,492)
Increase in pension plan expense	(976,759)
Decrease in PERSI contributions	485,669
<p>The net pension effect related to the pension expense recognized for the year.</p>	
Change in net position of governmental activities	\$ 313,295

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

NORTHERN LAKES FIRE PROTECTION DISTRICT
Notes to Financial Statements
September 30, 2020

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 accompanying independent auditors’ report.

NORTHERN LAKES FIRE PROTECTION DISTRICT
Notes to Financial Statements
September 30, 2020

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, 2020.

See accompanying independent auditors' report.

NORTHERN LAKES FIRE PROTECTION DISTRICT
Notes to Financial Statements
September 30, 2020

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 accompanying independent auditors' report.

NORTHERN LAKES FIRE PROTECTION DISTRICT
Notes to Financial Statements
September 30, 2020

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, 2020 was \$401,524.

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 accompanying independent auditors' report.

NORTHERN LAKES FIRE PROTECTION DISTRICT
Notes to Financial Statements
September 30, 2020

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 accompanying independent auditors' report.

NORTHERN LAKES FIRE PROTECTION DISTRICT
Notes to Financial Statements
September 30, 2020

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 2019 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, 2020.

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, 2020.

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 accompanying independent auditors' report.

NORTHERN LAKES FIRE PROTECTION DISTRICT
Notes to Financial Statements
September 30, 2020

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, 2020, 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	\$ 242,510
Total deposits without exposure to custodial credit risk	242,510
 <i>Deposits with exposure to custodial credit risk:</i>	
Amount collateralized with securities held in trust, but not in District's name	4,434,072
Amounts uninsured-exposed to custodial credit risk	-
Total deposits with exposure to custodial credit risk	4,434,072
Total bank balance (deposits)	\$4,676,582

The carrying amount is displayed as follows in the financial statements:

Statement of net position	
Cash and investments	\$4,630,850
Restricted cash and investments	-
	\$4,630,850

Cash and investments at September 30, 2020, consist of the following:

Cash	
Deposits with financial institutions	\$ 196,678
Petty cash on hand	100
Cash equivalents	
Deposits with Idaho state investment pool	4,434,072
	\$4,630,850

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.

See accompanying independent auditors' report.

NORTHERN LAKES FIRE PROTECTION DISTRICT
Notes to Financial Statements
September 30, 2020

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, 2020, 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 9/30/2019	Levy 2019	Adjustments & Collections	Balance 9/30/2020
2010-2019	\$ 44,405	\$ 5,480,804	\$ 5,490,018	\$ 35,191

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, 2020 is as follows:

Taxes due at September 30, 2020	\$ 35,191
Received October 2020	(29,519)
Received November 2020	(5,672)
Total	\$ -

In the government-wide financial statements, the District has recorded the 2020 property tax assessment amounts as follows:

Property taxes - current	\$ 5,835,000
Property taxes - delinquent	35,191
Total	\$ 5,870,191
Deferred inflows of resources:	
Unavailable revenue - 2020 assessed property taxes	5,835,000

See accompanying independent auditors’ report.

NORTHERN LAKES FIRE PROTECTION DISTRICT
Notes to Financial Statements
September 30, 2020

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, 2020.

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 \$1,406,812 for the fiscal year 2019/20.

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, 2020 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, 2020

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020 was as follows:

	9/30/2019	Additions	Disposals	9/30/2020
Capital assets not being depreciated:				
Land	\$ 863,027	\$ -	\$ -	\$ 863,027
Total capital assets not being depreciated	<u>863,027</u>	<u>-</u>	<u>-</u>	<u>863,027</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 3,483,041	\$ 58,523	\$ -	\$ 3,541,564
Fire trucks and vehicles	3,364,854	47,719	(160,375)	3,252,198
Equipment	1,217,679	326,679	-	1,544,358
Office equipment	75,105	28,049	-	103,154
Total capital assets being depreciated	<u>8,140,679</u>	<u>460,970</u>	<u>(160,375)</u>	<u>8,441,274</u>
Accumulated Depreciation				
Buildings and improvements	1,566,330	89,983	-	1,656,313
Fire trucks and vehicles	1,713,436	40,307	(160,375)	1,593,368
Equipment	1,052,406	4,368	-	1,056,774
Office equipment	53,908	176,962	-	230,870
Total accumulated depreciation	<u>4,386,080</u>	<u>311,620</u>	<u>(160,375)</u>	<u>4,537,325</u>
Total governmental activities capital assets, net	<u>\$ 4,617,626</u>	<u>\$ 149,350</u>	<u>\$ -</u>	<u>\$ 4,766,976</u>

Depreciation expense of \$311,620 for the year ended September 30, 2020 was charged entirely to fire protection and emergency medical services.

NOTE 7 – CAPITAL LEASE

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, 2020 are as follows:

	10/1/2019	Increases	Decreases	9/30/2020	Due in 1 Yr.
Capital Lease Payable	\$ 151,266	-	74,636	76,630	76,630
	<u>\$ 151,266</u>	<u>-</u>	<u>74,636</u>	<u>76,630</u>	<u>76,630</u>

Debt Service Requirements

The following schedule presents future minimum lease payments as of September 30, 2020:

Year Ended September 30, 2021	Capital Lease Payable		
	Principal	Interest	Total
	\$ 76,630	2,202	78,832
	<u>\$ 76,630</u>	<u>2,202</u>	<u>78,832</u>

See accompanying independent auditors' report.

NORTHERN LAKES FIRE PROTECTION DISTRICT
Notes to Financial Statements
September 30, 2020

NOTE 7 – CAPITAL LEASE – (CONTINUED)

Capital Lease Activity – (Continued)

The leased equipment under capital leases in capital assets at September 30, 2020, includes the following:

2016 Rosenbauer Pumper	\$ 552,295
Less: Accumulated Depreciation	(110,459)
	\$ 441,836

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.

Responsibility for administration of the Base Plan 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.

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, 2020 it was 7.16% for general employees and 8.81% for police and firefighters. The employer contribution rate as a percent 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 \$485,669 for the year ended September 30, 2020.

See accompanying independent auditors' report.

NORTHERN LAKES FIRE PROTECTION DISTRICT
Notes to Financial Statements
September 30, 2020

NOTE 8 – PENSION PLAN – (CONTINUED)

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

At September 30, 2020, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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 0.1137269 percent.

For the year ended September 30, 2020, the District recognized pension expense of \$976,758. At September 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 206,335	\$ 86,231
Changes in assumptions or other inputs	44,662	-
Net difference between projected and actual earnings on pension plan investments	302,697	-
Change in the District's proportion and differences between the District's contributions and the District's proportionate contributions	24,715	48,934
District's contributions subsequent to the measurement date	100,278	-
Total	\$ 678,687	\$ 135,165

\$100,278 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, 2020.

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, 2019 is 4.8 and 4.8 for the measurement period June 30, 2020.

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:	
2021	\$ 16,694
2022	98,041
2023	138,640
2024	189,964

See accompanying independent auditors' report.

NORTHERN LAKES FIRE PROTECTION DISTRICT
Notes to Financial Statements
September 30, 2020

NOTE 8 – PENSION PLAN – (CONTINUED)

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, 2020 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% net of investment expenses
Cost-of-living adjustments	1.00%

*there is an additional component of assumed salary growth (on top of the 3.75%) that varies for each individual member based on years of service

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, 2020 is based on the results of an actuarial valuation date of July 1, 2020.

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 System'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 2020.

See accompanying independent auditors' report.

NORTHERN LAKES FIRE PROTECTION DISTRICT
Notes to Financial Statements
September 30, 2020

NOTE 8 – PENSION PLAN – (CONTINUED)

Capital Market Assumption

Capital Market Assumptions from Callan 2020

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return (Arithmetic)	Long-Term Expected Real Rate of Return (Arithmetic)
Core Fixed Income	30.00%	2.80%	0.55%
Broad US Equities	55.00%	8.55%	6.30%
Developed Foreign Equities	15.00%	8.70%	6.45%
Assumed Inflation - Mean		2.25%	2.25%
Assumed Inflation - Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.85%	4.60%
Portfolio Standard Deviation		12.33%	12.33%
Portfolio Long-Term (Geometric) Expected Rate of Return		6.25%	3.89%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses		5.85%	3.49%

Investment Policy Assumptions from PERSI Board Nov 2019

Portfolio Long-Term Expected Real Rate of Return, Net of Investment Expenses	4.14%
Portfolio Standard Deviation	14.16%

Economic/Demographic Assumptions from Milliman 2018

<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><u>7.05%</u></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 accompanying independent auditors' report.

NORTHERN LAKES FIRE PROTECTION DISTRICT
Notes to Financial Statements
September 30, 2020

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)	\$ 5,415,740	\$ 2,640,889	\$ 346,540

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.

Payables to the pension plan

At September 30, 2020, the District reported no payables to the pension plan.

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, 2020.

NOTE 10 – CONTINGENCY

The District evaluated its September 30, 2020 financial statements for subsequent events through the date the financial statements were issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively impact the District's operations and cash flows. The potential impact to the organization is unknown at this time.

REQUIRED SUPPLEMENTARY INFORMATION

NORTHERN LAKES FIRE PROTECTION DISTRICT

SCHEDULE OF DISTRICT'S SHARE OF NET PENSION LIABILITY

PERSI - Base Plan

Last 10 - Fiscal Years *

	09/30/2020	09/30/2019	09/30/2018	09/30/2017	09/30/2016	9/30/2015
District's portion of the net pension liability	0.1137269%	0.1164313%	0.1179682%	0.1179474%	0.1190456%	0.1144500%
District's proportionate share of the net pension liability	\$ 2,640,889	\$ 1,329,031	\$ 1,740,052	\$ 1,853,931	\$ 2,413,237	\$ 1,507,120
District's covered-employee payroll	\$ 4,032,793	\$ 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	65.49%	33.75%	46.09%	50.88%	70.01%	47.18%
Plan fiduciary net position as a percentage of the total pension liability	88.22%	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, 2020

SCHEDULE OF DISTRICT'S CONTRIBUTIONS

PERSI - Base Plan

Last 10 - Fiscal Years *

	09/30/2020	09/30/2019	09/30/2018	09/30/2017	09/30/2016	9/30/2015
Statutorily required contribution	\$ 446,197	\$ 445,513	\$ 458,119	\$ 397,733	\$ 353,878	\$ 374,368
Contributions in relation to the statutorily required contribution	\$ (489,751)	\$ (454,176)	\$ (435,467)	\$ (420,326)	\$ (399,529)	\$ (367,660)
Contribution (deficiency) excess	\$ (43,554)	\$ (8,663)	\$ 22,653	\$ (22,593)	\$ (45,651)	\$ 6,708
District's covered-employee payroll	\$ 4,032,793	\$ 3,937,767	\$ 3,775,450	\$ 3,644,050	\$ 3,446,882	\$ 3,194,425
Contributions as a percentage of covered-employee payroll	12.14%	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, 2020

See accompanying independent auditors' report.

NORTHERN LAKES FIRE PROTECTION DISTRICT
Notes to the Budget and Actual Schedule
September 30, 2020

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Property Taxes	\$ 5,514,357	5,514,357	5,648,644	134,287
Emergency Medical Services	1,389,205	1,389,205	1,406,812	17,607
Grant Revenue	-	-	20,102	20,102
Sales Tax	153,000	153,000	209,330	56,330
Fees and Permits	75,000	75,000	70,994	(4,006)
Other	64,298	84,398	29,218	(55,180)
Interest Income	55,000	55,000	91,599	36,599
Total Revenues	<u>7,250,860</u>	<u>7,270,960</u>	<u>7,476,699</u>	<u>205,739</u>
Expenditures:				
Personnel	4,206,514	4,088,689	4,039,783	48,906
Payroll Taxes and Benefits	1,830,520	1,830,520	1,702,336	128,184
Station Expenses	114,500	114,500	86,061	28,439
Vehicle Maintenance and Repair	75,000	76,565	76,564	1
Fire Battalion Division	148,100	148,100	78,762	69,338
Office Expense	105,300	105,300	74,130	31,170
Administration Expenses	52,000	52,000	19,273	32,727
Insurance	64,033	64,033	61,200	2,833
Vehicle Fuel	45,000	45,000	28,680	16,320
Other	-	136,360	45,561	90,799
Professional Fees	18,250	18,250	8,682	9,568
Training Division	47,000	47,000	26,129	20,871
Inspection/Prevention Division	7,700	7,700	3,732	3,968
EMS Operation Division	18,200	18,200	9,237	8,963
Communications	20,000	20,000	240	19,760
Rent	79,743	79,743	809	78,934
Capital Outlays	369,000	369,000	460,970	(91,970)
Contingency	50,000	50,000	-	50,000
Debt Service Payments - Principal	-	-	74,636	(74,636)
Debt Service Payments - Interest	-	-	4,303	(4,303)
Total Expenditures	<u>7,250,860</u>	<u>7,270,960</u>	<u>6,801,088</u>	<u>469,872</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>675,611</u>	<u>675,611</u>
Other Financing Sources:				
Proceeds from Sale of Assets	-	-	11,000	11,000
Proceeds from Financing Sources	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>11,000</u>	<u>11,000</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>686,611</u>	<u>686,611</u>
Fund Balance - October 1	<u>3,882,271</u>	<u>3,882,271</u>	<u>3,882,271</u>	
Fund Balance - September 30	<u>\$ 3,882,271</u>	<u>3,882,271</u>	<u>4,568,882</u>	

See accompanying independent auditors' report.

NORTHERN LAKES FIRE PROTECTION DISTRICT
Notes to the Budget and Actual Schedule
September 30, 2020

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 one budget amendment in the current fiscal year.

See accompanying independent auditors' report.

REPORT REQUIRED BY GAO



1810 E Schneidmiller Ave. Ste. 310
Post Falls, Idaho 83854
208-777-1099

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, 2020, 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 March 16, 2021.

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) 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 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 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.



Anderson Bros. CPAs
Post Falls, Idaho
March 16, 2021