

**NORTHERN LAKES FIRE
PROTECTION DISTRICT**

FINANCIAL AUDIT REPORTS AND STATEMENTS

FOR THE YEAR ENDED
September 30, 2022

Prepared by

ANDERSONBROS.CPA

TAX, ASSURANCE, ACCOUNTING, ADVISORY

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INDEPENDENT AUDITORS' REPORT

ANDERSONBROS.CPA

TAX, ASSURANCE, ACCOUNTING, ADVISORY

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Northern Lakes Fire Protection District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Northern Lakes Fire Protection District, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Northern Lakes Fire Protection District, as of September 30, 2022, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Northern Lakes Fire Protection District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Northern Lakes Fire Protection District's ability to continue as a going concern for a reasonable period of time.

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


Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of District's Share of Net Pension Liability and the Schedule of District's Contributions, and the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and 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 May 22, 2023 on our consideration of the Northern Lakes Fire Protection District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Northern Lakes Fire Protection District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northern Lakes Fire Protection District's internal control over financial reporting and compliance.



Anderson Bros. CPAs
Post Falls, Idaho
May 22, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTHERN LAKES FIRE PROTECTION DISTRICT

Management's Discussion and Analysis

September 30, 2022

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, 2022. 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 \$6,103,281 at the end of the fiscal year.
- Total revenues for the reporting period were \$8,346,504, an overall increase of \$245,956 from the previous year.
- Actual expenditures this fiscal year were 2.7% more (\$197,443) than the year before, for a total of \$7,555,048 due in large part to the purchase of a new brush truck with associated equipment that will be put into service for wildland fire season in 2023.
- The District's revenues exceeded expenditures by \$791,456 resulting in a fund balance of \$6,103,281 as of September 30, 2022.
- Of the total fund balance, \$43,773 is non-spendable as pre-paid expenses for ensuing fiscal year, and \$7,384 of development impact fees collected are restricted for capital improvement plan expenditures; with the balance of \$6,052,124 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, 2022

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, 2022</u>	<u>Sep 30, 2021</u>
Current Assets	\$ 12,769,022	\$ 11,562,665
Capital Assets Net of Depreciation	4,721,642	4,847,034
Net Pension Asset	0	91,101
Restricted Cash (Impact Fees)	<u>7,384</u>	<u>0</u>
Total Assets	\$ 17,498,048	\$ 16,500,800
Deferred Outflows of Resources	\$ 2,600,914	\$ 1,320,423
Total Combined Assets & Deferred Outflows of Resources	<u>\$20,098,962</u>	<u>\$17,821,223</u>
Current and Other Liabilities	\$ 5,396,383	\$ 579,647
Deferred Inflows of Resources	<u>\$ 6,486,654</u>	<u>\$ 9,055,262</u>
Total Combined Liabilities & Inflows of Resources	<u>\$11,883,037</u>	<u>\$ 9,634,909</u>
Net Position:		
Invested in Capital Assets, Net Related Debt	\$ 4,721,642	\$ 4,847,034
Restricted	7,384	0
Unrestricted	<u>3,486,899</u>	<u>3,339,280</u>
Total Net Position	<u>\$ 8,215,925</u>	<u>\$ 8,186,314</u>
Total Liabilities and Net Position	<u>\$20,098,962</u>	<u>\$17,821,223</u>

Net Position may serve over time as a useful indicator of a government's financial position. The District's assets exceeded liabilities by \$8,215,925 as of September 30, 2022. The majority of the District's Net Position (57%) reflects its investment in capital assets (e.g., real property, buildings, equipped apparatus, station equipment, furniture and fixtures). The net position of restricted funds includes development impact fees of \$7,384 with the remaining balance of \$3,486,899 unrestricted which increased by 4.4% over the reporting period.

The District's net position increased by \$29,611 for the fiscal year ended September 30, 2022.

NORTHERN LAKES FIRE PROTECTION DISTRICT
Management's Discussion and Analysis
September 30, 2022

Table 2

Changes in Net Position

General Revenues	<u>Sep 30, 2022</u>	<u>Sep 30, 2021</u>
Property Taxes	\$ 6,207,627	\$ 5,932,812
Sales Taxes	339,722	264,343
Interest	50,759	38,820
Impact Fees	29,486	0
Other	95,431	108,818
Gain (Loss) on Disposal of Capital Assets	(1,273)	0
 Program Revenues		
Specific Grant –Capital	0	\$ 143,704
 Charges for Services		
Emergency Medical Services	\$ 1,474,533	\$ 1,445,490
Fees and permits	153,896	166,561
 Total Revenues	 <u>\$ 8,350,181</u>	 <u>\$ 8,100,548</u>
 Program Expenses		
Fire Protection and EMS	\$ 8,320,570	\$ 6,670,351
Total Expenses	<u>\$ 8,320,570</u>	<u>\$ 6,670,351</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 development impact fees collected per Idaho Code §67-82. Other general revenues included unanticipated reimbursement of workers compensation benefits paid to personnel, reimbursement for personnel and equipment costs for mobilization on a wildfire in Washington state, and donations from the public.

In 2021, the District formed a DIFAC committee to develop a Capital Improvement Plan and calculated development impact fees due to growth over 10 years (2021-2031) of \$10,299,000. In 2022, the District entered into intergovernmental agreements with the cities of Rathdrum and Hayden, as well as Kootenai County, for collection of fire impact fees. In August and September, restricted development impact fees were collected and paid to the District in the total amount of \$29,486.

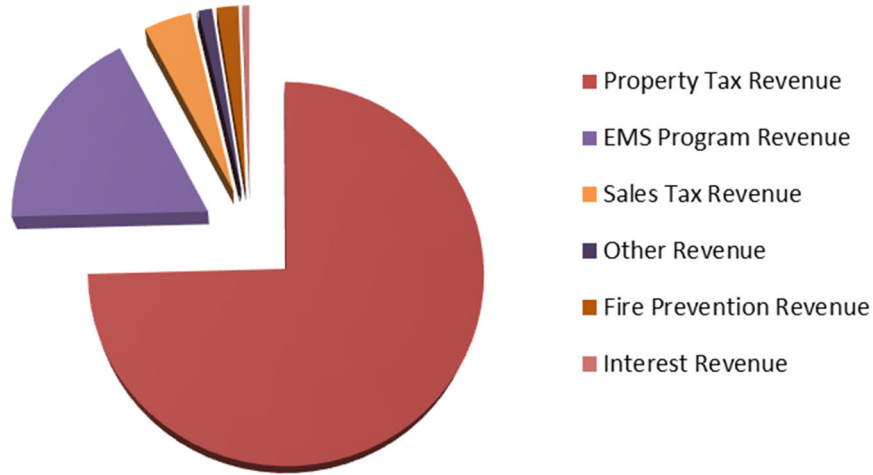
Charges for services included payments from the Kootenai Emergency Medical Services System (KCEMSS) for EMS contracted services provided by District personnel and fees generated by the Fire Prevention Bureau for building project reviews, inspections, and permits.

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 \$371,665 and loss on sale of assets of \$1,273.

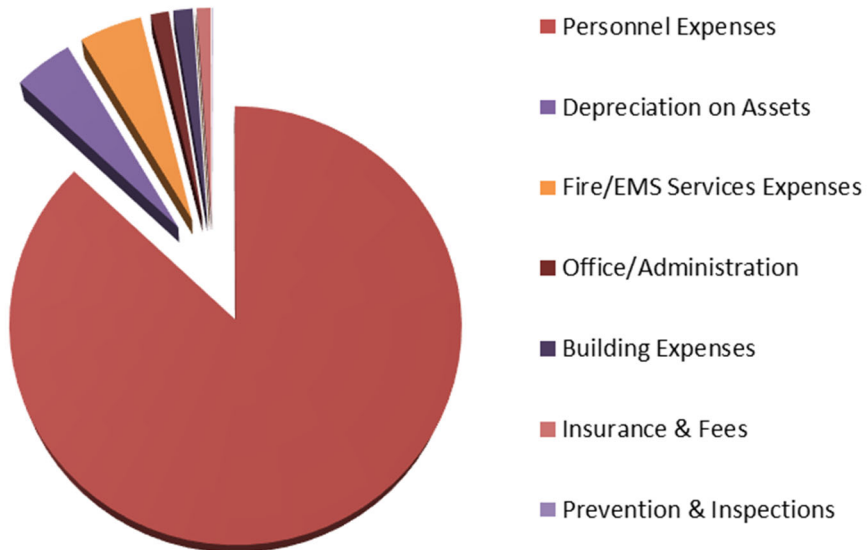
STATEMENT OF ACTIVITIES

The following charts break out revenue sources and budget item expenses as percentages of total revenue and expense for the year ending September 30, 2022.

Revenue by Source



Expenses by Budget Item



NORTHERN LAKES FIRE PROTECTION DISTRICT

Management’s Discussion and Analysis

September 30, 2022

The following Table 3 shows revenues, expenditures and changes in fund balance for fiscal year 2022 and 2021 for comparative purposes.

Table 3

Revenues, Expenditures and Changes in Fund Balance

	<u>Sep 30, 2022</u>	<u>Sep 30, 2021</u>
General Revenues		
Property Taxes	\$6,202,677	\$5,932,812
Emergency Medical Services	1,474,533	1,445,490
Grant Revenue	0	143,704
Sales Taxes	339,722	264,343
Fees and Permits	153,896	166,561
Interest	50,759	38,820
Impact Fees	29,486	0
Other	<u>95,431</u>	<u>108,818</u>
Total Revenues	<u>\$8,346,504</u>	<u>\$8,100,548</u>
Expenditures		
Personnel	\$4,730,405	\$4,342,660
Payroll Taxes & Benefits	1,971,121	1,771,468
Fire Battalion Division	114,329	178,804
Vehicle Maintenance & Repair	62,103	96,598
Station Expenses	118,870	100,282
Insurance	65,512	64,414
Office Expense	80,855	80,081
Vehicle Fuel	59,875	35,510
Administration Expenses	32,469	29,476
Inspection/Prevention Division	3,584	5,764
Training Division	20,366	11,311
Professional Fees	21,004	39,459
EMS Operation Division	17,964	14,317
Communications	2,580	955
Rent (Land)	810	804
Other	5,655	56,346
Debt Service Payment-Principal	0	76,630
Debt Service Payment-Interest	0	2,168
Capital Outlay	<u>247,546</u>	<u>450,558</u>
Total Expenditures	<u>\$7,555,048</u>	<u>\$7,357,605</u>
Excess (Deficit) of Revenues over Expenditures	\$ 791,456	\$ 742,943
Proceeds from Sale of Assets	0	0
Proceeds from Financing Sources	<u>0</u>	<u>0</u>
Net Change in Fund Balance	\$ 791,456	<u>\$ 742,943</u>
Fund Balance – End of Year	<u>\$6,103,281</u>	<u>\$5,311,825</u>

Overall, total revenues for the reporting period were \$245,956 more than total revenues for the previous fiscal year. As a governmental entity, property taxes accounted for 74% of all fiscal year 2022 revenues, an increase of 1% from fiscal year 2021. Miscellaneous (Other) revenue decreased by \$13,387 over the prior year; this was due in large part to District firefighters not being deployed for wildland fire response resulting in no personnel expenses reimbursed by the Idaho Department of Lands (IDL) during the fiscal year.

NORTHERN LAKES FIRE PROTECTION DISTRICT

Management's Discussion and Analysis

September 30, 2022

Fire Prevention review and permit fees collected were 7.6% less than last fiscal year; for a decrease in revenues of \$12,665. The District experienced smaller numbers of 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 increased by 28.5% this fiscal year as compared to last for an increase of \$75,379 in revenue. Due to the increase in interest rates, the earned interest on cash deposits/investments increased by more than 30.5% for a total increase of \$11,939 in revenue as compared to last fiscal year. The District anticipates increases in revenue with interest rates continuing to rise into next fiscal year.

The Kootenai County Emergency Management Services System (KCEMSS) increased the District's fiscal year 2022 contracted services by 2% over the prior year, for an additional \$29,043 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.

In summer 2022, the board of fire commissioners entered into intergovernmental agreements (IGA) with the cities of Hayden and Rathdrum for collection of development fire impact fees within their jurisdictions; the same agreement was entered into with Kootenai County in October 2022. These fees will fund infrastructure for the District as identified in a Capital Improvement Plan (CIP), including fire stations, apparatus, and certain equipment. The collection of these fees began in August 2022 by the city of Rathdrum, in September 2022 by the city of Hayden, and in November 2022 by Kootenai County, on new growth inside the District. Development impact fees will help reduce the District's reliance on its capital reserve funds to pay for new growth.

Total expenditures during the fiscal year were \$197,443 more than the year before, or an increase of 2.7%. This was due in large part to increased personnel costs for increasing fire suppression staffing from thirty-six to forty-one, as well as increases in fuel costs for apparatus, replacement of bedding and furniture in crew quarters, and contract negotiated wage increases.

In summary, the District's revenues exceeded its expenditures by \$791,456 increasing its fund balance at the end of the year by 15%.

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 \$6,103,281.

The increase in fund balance is due in large part to the District budgeting \$790,000 in anticipation of the balance due on delivery of two (2) custom fire engine/pumpers during the fiscal year. Due to supply chain shortages, the manufacturer revised the delivery date to spring 2023. The District also saw higher than anticipated revenues for sales tax proceeds, as well as savings realized in expenditure budgets in an effort to fund costs for a future third staffed station.

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 by the Fire Chief to finance future growth and expansion of facilities, equipment and personnel expenses.

NORTHERN LAKES FIRE PROTECTION DISTRICT

Management’s Discussion and Analysis

September 30, 2022

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 \$791,456.

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 2022, the District had invested \$9,658,107 (before depreciation) in a broad range of capital assets including land, construction in progress, existing 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 \$1,865 from the prior year. With total accumulated depreciation on these assets amounting to \$4,936,465, the net value of the District’s capital assets decreased by 2.6% from the previous fiscal year, or a total of \$125,392 less.

This year’s changes included the following:

- Disposal of fire equipment including outdated SCBA packs, face masks, regulators, and air cylinders, as well as an outdated cascade breathing air system and two (2) extrication tools no longer needed that were all declared as surplus by the board of commissioners and disposed of.
- Purchase of a 2022 Ford F550 custom brush truck including a pump, tank, and monitor deck gun.
- Replacement of SCBA air cylinders and a GI RIT SCBA pack for a rapid intervention team in the event a trapped firefighter needs to be rescued.
- Purchase of an additional APX 8500 portable radio for one of the new engines ordered and expected to be delivered in spring 2023.
- Real property exterior improvements to Fire Station 1 in Hayden to repair the front apparatus bay apron (asphalt patchwork).
- Purchase of building design documentation including specifications, technical drawings, and other relevant documents, for a modular fire station building to be built and located at the District’s current St 3 location in the next fiscal year.

Table 4

Capital Assets at Year-end

(Net of Depreciation)

Capital Assets	Governmental Activities	
	<u>Sep 30, 2022</u>	<u>Sep 30, 2021</u>
Land	\$ 863,027	\$ 863,027
Construction in Progress	89,347	0
Buildings/Improvements	3,592,936	3,587,436
Apparatus	3,580,903	3,483,703
Firefighting Equipment	1,428,740	1,618,922
Office Equipment	103,154	<u>103,154</u>
Total Capital Assets	<u>\$ 9,658,107</u>	<u>\$ 9,656,242</u>
Accumulated Depreciation	(4,936,465)	(4,809,208)
Capital Assets (Net of Depreciation)	<u>\$ 4,721,642</u>	<u>\$ 4,847,034</u>

Long Term Liabilities

Debt

As of September 30, 2022, the District has no debt financing balance.

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 \$20,500 of salary per calendar year as of 2022 (and an additional \$6,500 for employees over the age of 50 in 2022) with the District matching employee deferrals of up to 6% of their wages. The District portion contributed for this fiscal year totaled \$267,230.

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 \$427,334, a decrease of 2.3% from the prior year due to retirement of long-term personnel.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The fiscal year 2023 budget was approved and adopted in August 2022. 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 preparing the budget for fiscal year 2023, management considered the following economic factors:

- The District identified the need for additional funding to open a third staffed fire station to meet growing emergency response call volume demands in 2017. The board of fire commissioners authorized submitting a ballot issue to eligible voters in 2018, 2019 and 2021 to authorize a permanent tax levy override to fund the additional staffed fire station; these measures fell short of the 66 2/3% required approval. The District was able to fund five additional suppression positions during fiscal year 2022. The District then applied for a Staffing for Adequate Fire and Emergency Response (SAFER) grant in February 2022 to fund enough personnel to staff a third station in its northern response area; this grant was awarded in September 2022 with the period of performance beginning in March 2023. The SAFER grant will fund twelve additional firefighters for a period of three years (March 2023 through March 2026) after which the positions must be locally funded by the District.
- With the award of a SAFER grant in September 2022 to fund additional firefighters to staff a third station, the District began the project of station construction and its financing in October 2022. The District's Capital Improvement Plan includes two new stations (St 3 and St 4) due to growth and anticipates construction being funded by impact fee collections.
- Intergovernmental agreements (IGA) with the cities of Hayden and Rathdrum, as well as Kootenai County, were entered into in 2022 for collection of development fire impact fees within their jurisdictions on new growth in the District. The District anticipates further collection of these fees in fiscal year 2023 to fund infrastructure identified in its Capital Improvement Plan (CIP), including fire stations, apparatus, and certain equipment. Development impact fees will help reduce the District's reliance on its capital reserve funds to pay for new growth.

NORTHERN LAKES FIRE PROTECTION DISTRICT

Management's Discussion and Analysis

September 30, 2022

- Property tax revenues, which are the District's largest fund revenue source, are anticipated to increase by approximately 5.5%. In addition, the District anticipates increases in revenue for sales tax proceeds.
- Fire Prevention review and permit fees generated by new commercial and residential developments within the District are also anticipated to modestly increase in the current fiscal year.
- In July 2022, the Kootenai County EMS System approved a budget increasing the EMS contract payments to the District by 4%, or an additional amount of \$58,950 in revenue for fiscal year 2023.
- In July 2022, the Kootenai County Treasurer notified taxing districts that the county will retain the penalties and interest associated with their delinquent property taxes effective October 1, 2022. Over the last five budget years, the District has seen an average of \$25,000 annually in remittances from the county for these penalties and interest that it will not receive in fiscal year 2023.
- The District has accumulated savings in prior budgets to fund the replacement of apparatus without debt financing for the purchases. Included in the fiscal year 2022 operating budget was assigned capital reserves for the funding of two (2) new custom fire engine/pumpers. Due to circumstances beyond the District's control, the manufacturer was not able to complete production of the apparatus by September 30, 2022. The District anticipates delivery of the engines in spring 2023, funding the final payment of \$837,000 with assigned capital reserve in its fiscal year 2023 budget.

The District's operating budget for fiscal year 2023 is \$9,767,650, representing a 17% increase in anticipated revenues compared to the prior fiscal year; with the majority of the increase due to the funding of apparatus by the District's assigned capital reserves. Anticipated expenses increased by 29% in large part due to funding additional suppression staff hired in previous fiscal year, as well as capital outlay for new apparatus. A copy of the District's fiscal year 2023 budget can be obtained by contacting the Administrative Offices.

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, 2022

ASSETS

Cash & Cash Equivalents	\$ 5,643,537
Receivables:	
Accounts Receivable (net)	6
Property Taxes (net)	6,471,152
Sales Taxes	91,874
Impact Fees	14,102
Prepaid Expenses	43,773
Equipment Deposits	504,578
Capital Assets:	
Land and Land Improvements	863,027
Work in Progress	89,347
Capital Assets, net	3,769,268
Restricted Cash	7,384
Total Assets	<u>17,498,048</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension Plan differences - PERSI	<u>2,600,914</u>
Total Deferred Outflows of Resources	<u>2,600,914</u>

LIABILITIES

Accounts Payable	25,888
Payroll, Benefits & Taxes Payable	196,002
Long-Term Liabilities:	
Compensated Absences Payable	427,335
Net Pension Liability	<u>4,747,158</u>
Total Liabilities	<u>5,396,383</u>

DEFERRED INFLOWS OF RESOURCES

Unavailable Revenue - 2022 assessed property taxes	6,446,285
Pension Plan Differences - PERSI	<u>40,369</u>
Total Deferred Inflows of Resources	<u>6,486,654</u>

NET POSITION

Net investment in capital assets	4,721,642
Restricted	7,384
Unrestricted	<u>3,486,899</u>
Total Net Position	<u><u>\$ 8,215,925</u></u>

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

NORTHERN LAKES FIRE PROTECTION DISTRICT
Statement of Activities
Year Ended September 30, 2022

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants & Contributions
Functions/Programs:					
Governmental Activities					
Personnel	\$ 7,342,929	\$ 1,628,429	\$ -	\$ -	\$ (5,714,500)
Facilities	119,680	-	-	-	(119,680)
Training Division	20,366	-	-	-	(20,366)
Operations and Administrative	343,952	-	-	-	(343,952)
Vehicle Maintenance and Repair	121,978	-	-	-	(121,978)
Depreciation - unallocated	371,665	-	-	-	(371,665)
Total Governmental Activities	8,320,570	1,628,429	-	-	(6,692,141)
General Revenues:					
Property Taxes					6,207,627
Sales Tax					339,722
Impact Fees					29,486
Interest/Investment Income					50,759
Other					95,431
Gain/(Loss) Sale of Assets					(1,273)
Total general revenues and transfers					6,721,752
Change in Net Position					29,611
Net Position - beginning					8,186,314
Net Position - ending					\$ 8,215,925

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

NORTHERN LAKES FIRE PROTECTION DISTRICT
Balance Sheet
Governmental Funds
September 30, 2022

ASSETS

Cash & Cash Equivalents	\$	5,643,537
Restricted Cash		7,384
Receivables:		
Accounts Receivable (net)		6
Property Taxes (net)		24,867
Sales Taxes		91,874
Impact Fees		14,102
Prepaid Expenses		43,773
Equipment Deposits		504,578
Total Assets	\$	<u><u>6,330,121</u></u>

LIABILITIES

Accounts Payable	\$	25,888
Payroll, Benefits & Taxes Payable		196,002
Total Liabilities		<u><u>221,890</u></u>

DEFERRED INFLOWS OF RESOURCES

Unavailable Revenue - property taxes		4,950
Total Deferred Inflows of Resources		<u><u>4,950</u></u>

FUND BALANCE (DEFICITS)

Nonspendable:		
Prepaid Expenses		43,773
Restricted:		
Impact Fees		7,384
Unassigned:		6,052,124
Total Fund Balances		<u><u>6,103,281</u></u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$	<u><u>6,330,121</u></u>

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, 2022

Total fund balances at September 30, 2022 - Governmental Funds	\$ 6,103,281
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, 2022	9,658,107
Less: Accumulated depreciation as of September 30, 2022	<u>(4,936,466)</u> 4,721,641
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	2,600,914
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	4,950
Net pension asset	(4,747,158)
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	(40,369)
Some liabilities are not due and payable in the current period and therefore, are not reported in the funds. Those liabilities consist of:	
Compensated absences	(427,334)
Interest payable	<u>-</u> (427,334)
Net position of governmental activities at September 30, 2022	<u>\$ 8,215,925</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, 2022

Revenues:

Property Taxes	\$ 6,202,677
Emergency Medical Services	1,474,533
Grant Revenue	-
Sales Taxes	339,722
Fees and Permits	153,896
Impact Fees	29,486
Other	95,431
Interest Income	50,759
Total Revenues	8,346,504

Expenditures:

Personnel	4,730,405
Payroll Taxes and Benefits	1,971,121
Station Expenses	118,870
Vehicle Maintenance and Repair	62,103
Fire Battalion Division	114,329
Office Expense	80,855
Administration Expenses	32,469
Insurance	65,512
Vehicle Fuel	59,875
Other	5,655
Professional Fees	21,004
Training Division	20,366
Inspection/Prevention Division	3,584
EMS Operation Division	17,964
Communications	2,580
Rent	810
Capital Outlay	247,546
Total Expenditures	7,555,048
Excess (Deficiency) of Revenues Over Expenditures	791,456

Other Financing Sources (Uses):

Proceeds from Sale of Assets	-
Total Financing Other Sources (Uses)	-
Net Change in Fund Balance	791,456
Fund Balance - October 1	5,311,825
Fund Balance - September 30	\$ 6,103,281

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 September 30, 2022

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

Net Change in Fund Balances - total governmental funds	\$ 791,456
<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	247,546
Depreciation	(371,665)
Loss on Sale of Assets	(1,273)
<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	4,950
<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 compensated absences	9,980
Increase in pension plan expense	(1,238,104)
Decrease in PERSI contributions	586,721
The net pension effect related to the pension expense recognized for the year.	
Change in net position of governmental activities	\$ 29,611

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

NORTHERN LAKES FIRE PROTECTION DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2022

	<u>Section 457 Custodial Funds</u>
ASSETS	
Investments	\$ 201,100
Total Assets	<u>201,100</u>
LIABILITIES	
	<u>-</u>
NET POSITION	
Restricted:	
Employee retirement	201,100
Total Fund Balances	<u>\$ 201,100</u>

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

NORTHERN LAKES FIRE PROTECTION DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended September 30, 2022

	Section 457 Custodial Funds
ADDITIONS	
Investment earnings (losses)	\$ (12,285)
Total additions	(12,285)
DEDUCTIONS	
Bank service charges	715
Total deductions	715
Net increase (decrease) in fiduciary net positions	(13,000)
Net position - October 1	214,100
Net position - September 30	\$ 201,100

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

NORTHERN LAKES FIRE PROTECTION DISTRICT
Notes to Financial Statements
September 30, 2022

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, 2022

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, 2022.

See accompanying independent auditors' report.

NORTHERN LAKES FIRE PROTECTION DISTRICT
Notes to Financial Statements
September 30, 2022

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:

Asset Class	Estimated Useful Lives
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.

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.

See accompanying independent auditors' report.

NORTHERN LAKES FIRE PROTECTION DISTRICT
Notes to Financial Statements
September 30, 2022

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 7 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 7 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, 2022 was \$427,335.

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.

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.

See accompanying independent auditors' report.

NORTHERN LAKES FIRE PROTECTION DISTRICT
Notes to Financial Statements
September 30, 2022

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.

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.

See accompanying independent auditors' report.

NORTHERN LAKES FIRE PROTECTION DISTRICT
Notes to Financial Statements
September 30, 2022

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 2022 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, 2022.

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, 2022.

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.

NORTHERN LAKES FIRE PROTECTION DISTRICT
Notes to Financial Statements
September 30, 2022

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, 2022, 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	\$ 74,821
Total deposits without exposure to custodial credit risk	74,821
<i>Deposits with exposure to custodial credit risk:</i>	
Amount collateralized with securities held in trust, but not in District's name	5,601,555
Amounts uninsured-exposed to custodial credit risk	-
Total deposits with exposure to custodial credit risk	5,601,555
Total bank balance (deposits)	\$5,676,376

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

Statement of net position	
Cash and investments	\$5,643,537
Restricted cash and investments	7,384
	\$5,650,921

Cash and investments at September 30, 2022, consist of the following:

Cash	
Deposits with financial institutions	\$ 57,266
Petty cash on hand	100
Cash equivalents	
Deposits with Idaho state investment pool	5,593,555
	\$5,650,921

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, 2022

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 loss of \$10,628 as of September 30, 2022, which has not been reflected in the financial statements. The unrealized loss was based on a fair market value adjustment factor of 0.9981 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.

Receivable 9/30/2021	Lewy 2021	Adjustments & Collections	Receivable 9/30/2022	Lewy 2022	Total Receivable 9/30/2022
\$ 15,401	\$ 6,108,508	\$ 6,099,042	\$ 24,867	\$ 6,446,285	\$ 6,471,152

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, 2022 is as follows:

Taxes due at September 30, 2022	\$ 24,867
Received October 2022	(9,471)
Received November 2022	(10,446)
Total current year deferred	4,950
Upcoming 2022 Lewy	6,446,285
Total deferred	\$6,451,235

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, 2022.

See accompanying independent auditors' report.

NORTHERN LAKES FIRE PROTECTION DISTRICT
Notes to Financial Statements
September 30, 2022

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 \$1,474,533 for the fiscal year 2021/22.

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, 2022 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.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022 was as follows:

	9/30/2021	Additions	Disposals	9/30/2022
Capital assets not being depreciated:				
Land	\$ 863,027	\$ -	\$ -	\$ 863,027
Construction in progress	-	89,347	-	89,347
Total capital assets not being depreciated	<u>863,027</u>	<u>89,347</u>	<u>-</u>	<u>952,374</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 3,587,436	\$ 5,500	\$ -	\$ 3,592,936
Fire trucks and vehicles	3,483,703	97,200	-	3,580,903
Equipment	1,618,922	55,499	(245,681)	1,428,740
Office equipment	103,154	-	-	103,154
Total capital assets being depreciated	<u>8,793,215</u>	<u>158,199</u>	<u>(245,681)</u>	<u>8,705,733</u>
Accumulated Depreciation				
Buildings and improvements	1,745,926	84,991	-	1,830,917
Fire trucks and vehicles	1,915,144	184,450	-	2,099,594
Equipment	1,081,560	94,462	(244,408)	931,614
Office equipment	66,578	7,762	-	74,340
Total accumulated depreciation	<u>4,809,208</u>	<u>371,665</u>	<u>(244,408)</u>	<u>4,936,465</u>
Total governmental activities capital assets, net	<u>\$ 4,847,034</u>	<u>\$ (124,119)</u>	<u>\$ (1,273)</u>	<u>\$ 4,721,642</u>

Depreciation expense of \$371,665 for the year ended September 30, 2022 was charged entirely to fire protection and emergency medical services.

See accompanying independent auditors' report.

NORTHERN LAKES FIRE PROTECTION DISTRICT
Notes to Financial Statements
September 30, 2022

NOTE 7 – 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 74% for police and firefighters. As of June 30, 2022 it was 7.16% for general employees and 9.13% 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 \$586,721 for the year ended September 30, 2022.

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

At September 30, 2022, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022, the District's proportion was 0.12052424%.

See accompanying independent auditors' report.

NORTHERN LAKES FIRE PROTECTION DISTRICT
Notes to Financial Statements
September 30, 2022

For the year ended September 30, 2022, the District recognized pension expense of \$1,238,104. At September 30, 2022, 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	\$ 522,014	\$ 21,188
Changes in assumptions or other inputs	773,929	-
Net difference between projected and actual earnings on pension plan investments	1,092,265	-
Change in the District's proportion and differences between the District's contributions and the District's proportionate contributions	75,226	19,181
District's contributions subsequent to the measurement date	137,480	-
Total	\$ 2,600,914	\$ 40,369

\$137,480 reported as deferred outflows of resources related to pensions resulting from District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2022.

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, 2020, the beginning of the measurement period ended June 30, 2021 is 4.6 and 4.6 for the measurement period June 30, 2022.

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:	
2022	\$ 576,367
2023	630,520
2024	304,272
2025	911,901

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.

See accompanying independent auditors' report.

NORTHERN LAKES FIRE PROTECTION DISTRICT
Notes to Financial Statements
September 30, 2022

The total pension liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases*	3.05%
Salary inflation	3.05%
Investment rate of return**	6.35%
Cost-of-living adjustments	1.00%

*there is an additional component of assumed salary growth (on top of the 3.05%) that varies for each individual member based on years of service

**net of pension plan investment expense

An experience study was performed for the period July 1, 2015 through June 30, 2020 which reviewed all economic and demographic assumptions including mortality. The total pension liability as of June 30, 2022 is based on the results of an actuarial valuation date of July 1, 2022.

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 2022.

NORTHERN LAKES FIRE PROTECTION DISTRICT
Notes to Financial Statements
September 30, 2022

Capital Market Assumption

Capital Market Assumptions		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Cash	0.00%	0.00%
Large Cap	18.00%	4.50%
Small/Mid Cap	11.00%	4.70%
International Equity	15.00%	4.50%
Emerging Markets Equity	10.00%	4.90%
Domestic Fixed	20.00%	(0.25)%
TIPS	10.00%	(0.30)%
Real Estate	8.00%	3.75%
Private Equity	8.00%	6.00%

Discount Rate

The discount rate used to measure the total pension liability was 6.35%. 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.

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 6.35%, 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 (5.35%) or 1-percentage-point higher (7.35%) than the current rate:

	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
District's proportionate share of the net pension liability (asset)	\$ 8,378,269	\$ 4,747,158	\$ 1,775,188

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, 2022, the District reported no payables to the pension plan.

See accompanying independent auditors' report.

NORTHERN LAKES FIRE PROTECTION DISTRICT
Notes to Financial Statements
September 30, 2022

NOTE 8 – DEFERRED COMPENSATION PLAN

The PERSI system also offers its participants a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation plan is administered by a financial advisor unrelated to the District. The plan is available to all District employees eligible for PERSI, and permits them to defer a portion of their salary up to \$20,500 per year. The District's match is 6% of employee compensation, which amounted to total of \$267,230 for the fiscal year ending September 30, 2022. The deferred compensation plan assets are reported at market value in an agency fund.

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>09/30/2022</u>	<u>09/30/2021</u>	<u>09/30/2020</u>	<u>09/30/2019</u>	<u>09/30/2018</u>	<u>09/30/2017</u>	<u>09/30/2016</u>	<u>09/30/2015</u>
District's portion of the net pension liability	0.12052424%	0.11535003%	0.1137269%	0.1164313%	0.1179682%	0.1179474%	0.1190456%	0.1144500%
District's proportionate share of the net pension (asset)/liability	\$ 4,747,158	\$ (7,384)	\$ 2,640,889	\$ 1,329,031	\$ 1,740,052	\$ 1,853,931	\$ 2,413,237	\$ 1,507,120
District's covered-employee payroll	\$ 4,843,644	\$ 4,287,245	\$ 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	98.01%	-0.17%	65.49%	33.75%	46.09%	50.88%	70.01%	47.18%
Plan fiduciary net position as a percentage of the total pension liability	83.09%	100.36%	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, 2022

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

	<u>09/30/2022</u>	<u>09/30/2021</u>	<u>09/30/2020</u>	<u>09/30/2019</u>	<u>09/30/2018</u>	<u>09/30/2017</u>	<u>09/30/2016</u>	<u>09/30/2015</u>
Statutorily required contribution	\$ 558,107	\$ 455,435	\$ 446,197	\$ 445,513	\$ 458,119	\$ 397,733	\$ 353,878	\$ 374,368
Contributions in relation to the statutorily required contribution	\$ (570,582)	\$ (520,173)	\$ (489,751)	\$ (454,176)	\$ (435,467)	\$ (420,326)	\$ (399,529)	\$ (367,660)
Contribution (deficiency) excess	\$ (12,475)	\$ (64,737)	\$ (43,554)	\$ (8,663)	\$ 22,653	\$ (22,593)	\$ (45,651)	\$ 6,708
District's covered-employee payroll	\$ 4,843,644	\$ 4,287,245	\$ 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	11.78%	12.13%	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, 2022

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, 2022

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Property Taxes	\$ 6,265,000	6,265,000	6,202,677	(62,323)
Emergency Medical Services	1,474,500	1,474,500	1,474,533	33
Grant Revenue	-	-	-	-
Sales Tax	225,000	225,000	339,722	114,722
Fees and Permits	75,000	75,000	153,896	78,896
Impact Fees	-	-	29,486	29,486
Other	1,120,000	1,284,884	95,431	(1,189,453)
Interest Income	55,000	55,000	50,759	(4,241)
Total Revenues	<u>9,214,500</u>	<u>9,379,384</u>	<u>8,346,504</u>	<u>(1,032,880)</u>
Expenditures:				
Personnel	4,627,515	4,838,015	4,730,405	107,610
Payroll Taxes and Benefits	1,963,725	1,963,725	1,971,121	(7,396)
Station Expenses	116,000	126,000	118,870	7,130
Vehicle Maintenance and Repair	125,000	110,000	62,103	47,897
Fire Battalion Division	148,100	148,100	114,329	33,771
Office Expense	112,800	112,800	80,855	31,945
Administration Expenses	64,000	64,000	32,469	31,531
Insurance	70,250	70,250	65,512	4,738
Vehicle Fuel	45,000	60,000	59,875	125
Other	-	7,384	5,655	1,729
Professional Fees	68,500	46,000	21,004	24,996
Training Division	47,000	47,000	20,366	26,634
Inspection/Prevention Division	7,700	7,700	3,584	4,116
EMS Operation Division	65,600	57,100	17,964	39,136
Communications	17,500	17,500	2,580	14,920
Rent	810	810	810	-
Capital Outlays	1,685,000	1,693,000	247,546	1,445,454
Contingency	50,000	10,000	-	10,000
Total Expenditures	<u>9,214,500</u>	<u>9,379,384</u>	<u>7,555,048</u>	<u>1,824,336</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>791,456</u>	<u>791,456</u>
Other Financing Sources:				
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	<u>-</u>	<u>-</u>	<u>791,456</u>	<u>791,456</u>
Fund Balance - October 1	<u>5,311,825</u>	<u>5,311,825</u>	<u>5,311,825</u>	
Fund Balance - September 30	<u>\$ 5,311,825</u>	<u>5,311,825</u>	<u>6,103,281</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, 2022

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

ANDERSONBROS.CPA

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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, 2022, 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 May 22, 2023.

Report on 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.

Report on 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
May 22, 2023