

**SPIRIT LAKE FIRE PROTECTION DISTRICT**

**FINANCIAL STATEMENT  
SEPTEMBER 30, 2004**

**SPIRIT LAKE FIRE PROTECTION DISTRICT  
September 30, 2004**

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**FINANCIAL SECTION**

**INDEPENDENT AUDITORS' REPORT**



# Magnuson, McHugh & Company, P.A.

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Spirit Lake Fire Protection District  
Spirit Lake, ID 83869

We have audited the accompanying financial statements of the governmental activities of Spirit Lake Fire Protection District as of and for the year ended September 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Spirit Lake Fire Protection District's management. Our responsibility is to express an opinion 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Spirit Lake Fire Protection District as of September 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the District had implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended and interpreted as of September 30, 2004.

Spirit Lake Fire Protection District has not presented the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America has determined necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 31, 2005 on our consideration of Spirit Lake 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

MAGNUSON, MCHUGH & CO., P.A.

*Magnuson, McHugh & Company, P.A.*

October 31, 2005

**FINANCIAL SECTION**

**BASIC FINANCIAL STATEMENTS**

# Spirit Lake Fire Protection District

## STATEMENT OF NET ASSETS

September 30, 2004

### ASSETS

Cash and cash equivalents	\$	83,228
Receivables:		
Property taxes		36,806
Other		3,280
Capital assets net of accumulated depreciation		462,031
Total assets		<u>585,345</u>

### LIABILITIES

Accounts payable		8,339
Accrued payroll and benefits		14,254
Noncurrent liabilities:		
Due within one year		34,909
Due in more than one year		221,125
Total liabilities		<u>278,627</u>

### NET ASSETS

Investment in capital assets, net of related debt		207,105
Unrestricted		99,613
Total net assets	\$	<u>306,718</u>

The accompanying "Notes to the Financial Statements"  
are an integral part of this statement.

# Spirit Lake Fire Protection District

## GOVERNMENTAL FUNDS STATEMENT OF ACTIVITIES For the year ended September 30, 2004

	2004
<b>EXPENSES:</b>	
Public safety - fire protection:	
Wages	\$ 214,875
Volunteer incentive program	7,975
Miscellaneous and other	373
Supplies	4,476
Uniforms, emblems	3,770
Auto and fuel	5,581
Repairs and maintenance	16,624
Small equipment	41,724
Insurance	18,860
Utilities, telephone and internet	14,418
Retirement	22,857
Office and postage	2,689
Fundraising	552
Training	9,384
Payroll taxes	17,666
Food supplies/drills/award dinners	1,825
Employee benefits	19,291
Legal and professional	2,750
Dues and subscriptions	3,191
Fire prevention and supplies	665
Land lease	2,153
Depreciation	64,455
Interest expense	17,502
Total program expenses	493,656
<b>PROGRAM REVENUES</b>	
Charges for services	106,597
Capital grant	10,469
Total program revenues	117,066
Net program expenses	376,590
<b>GENERAL REVENUES</b>	
Property taxes, levied for general purposes	298,068
Penalties and interest	6,007
Special fees	12,155
Sales taxes	5,237
Interest income	13
Miscellaneous	6,169
Total general revenues	327,649
Decrease in net assets	(48,941)
<b>NET ASSETS, beginning</b>	355,659
<b>NET ASSETS, ending</b>	\$ 306,718

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

# Spirit Lake Fire Protection District

## GOVERNMENTAL FUNDS BALANCE SHEET September 30, 2004

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 83,228
Accounts receivable:	
Property taxes	36,806
Other	3,280
Total assets	<u>\$ 123,314</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 8,339
Accrued payroll and benefits	14,254
Deferred tax revenue	33,051
Total liabilities	<u>55,644</u>
Fund balances:	
Unreserved, undesignated	<u>67,670</u>
Total liabilities and fund balances	<u>\$ 123,314</u>

The accompanying "Notes to the Financial Statements"  
are an integral part of this statement.

## Spirit Lake Fire Protection District

### RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS September 30, 2004

Total fund balances - Governmental Funds, September 30, 2004		\$ 67,670
Cost of capital assets, September 30, 2004	864,607	
Less: Accumulated depreciation, September 30, 2004		
Buildings	(37,821)	
Vehicles	(346,518)	
Equipment	<u>(18,237)</u>	462,031
Less: Compensated absence accrual		(1,108)
Elimination of deferred revenue		33,051
Long-term debt balance, September 30, 2004		<u>(254,926)</u>
Net assets, September 30, 2004		<u><u>\$ 306,718</u></u>

The accompanying "Notes to the Financial Statements"  
are an integral part of this statement.

# Spirit Lake Fire Protection District

## GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES For the year ended September 30, 2004

	<u>General Fund</u>
<b>REVENUES</b>	
Property taxes	\$ 298,839
Penalties and interest	6,007
Special fees	12,155
Sales taxes	5,237
EMS revenue	100,000
Contracted assistance-coop accounts	6,597
Grant revenue	10,469
Interest income	13
Miscellaneous	6,169
Total revenues	<u>445,486</u>
<b>EXPENDITURES</b>	
Current:	
Wages	213,767
Volunteer incentive program	7,975
Miscellaneous and other	372
Supplies	4,476
Uniforms, emblems	3,770
Auto and fuel	5,581
Repairs and maintenance	16,624
Small equipment	41,724
Insurance	18,860
Utilities, telephone and internet	14,418
Retirement	22,857
Office and postage	2,689
Fundraising	552
Training	9,384
Payroll taxes	17,666
Food supplies/drills/award dinners	1,825
Employee benefits	19,291
Legal and professional	2,750
Dues and subscriptions	3,191
Fire prevention and supplies	665
Land lease	2,153
Debt service:	
Vehicle lease payments	28,839
Interest payments	17,502
Capital outlay	275,561
Total expenditures	<u>732,492</u>
Excess of revenues over expenditures	<u>(287,006)</u>
<b>OTHER FINANCING SOURCES</b>	
Proceeds from capital lease financing	272,561
Total other financing sources	<u>272,561</u>
Net change in fund balance	(14,445)
Fund balance - beginning	82,115
Fund balance - ending	<u>\$ 67,670</u>

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

## Spirit Lake Fire Protection District

### RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES For the year ended September 30, 2004

Total net changes in fund balances for the year ended September 30, 2004	\$	(14,445)
Add: Capital outlay which is considered expenditures		275,561
Less: Depreciation expense for the year ended September 30, 2004		(64,455)
Add: Long-term debt payments considered as an expenditure		28,839
Less: Proceeds from lease		(272,561)
Less: Compensated absences considered as an expenditure		(1,108)
Less: Difference between revenue earned on property taxes on modified accrual basis versus revenue on property taxes on accrual basis		<u>(772)</u>
Change in net assets for the year ended September 30, 2004	\$	<u>(48,941)</u>

The accompanying "Notes to the Financial Statements"  
are an integral part of this statement.

# Spirit Lake Fire Protection District

## NOTES TO FINANCIAL STATEMENTS

September 30, 2004

### NOTE 1: DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

The Spirit Lake Fire Protection District (the "District") was formed and became a taxing district for the purpose of providing fire protection and emergency medical services to the Spirit Lake region and the surrounding area as defined by the District's Board of Commissioners.

Reporting Entity – A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards and agencies that are not legally separate from the District. For Spirit Lake Fire Protection District this includes general operations.

Component units are legally separate organizations for which the District is financially accountable. Component units may include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt, or the levying of taxes. The District has no component units.

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the "District" have been prepared in conformity with generally accepted accounting principles (GAAP) 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's accounting policies are described below:

#### A. FUND ACCOUNTING

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Governmental Funds – Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The District has one governmental fund, the general fund.

*General Fund* – The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund is available for any purpose provided it is expended or transferred according to the laws of the State of Idaho.

#### B. BASIS OF PRESENTATION

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government. The District has activities that are considered to be governmental as opposed to business-type activities.

(Continued)

# Spirit Lake Fire Protection District

## NOTES TO FINANCIAL STATEMENTS September 30, 2004

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### B. BASIS OF PRESENTATION (Continued)

The government-wide statements are prepared using the economic resources measurement focus. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and 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 are presented as general revenues of the District, with certain limited exceptions. 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 – Fund financial statements report detailed information about the District. The focus of governmental fund statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type. The District maintains only a governmental type general fund.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

#### C. BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

(Continued)

# Spirit Lake Fire Protection District

## NOTES TO FINANCIAL STATEMENTS September 30, 2004

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### C. BASIS OF ACCOUNTING (Continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, 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. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available in advance, interest, grants, and rentals.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

#### D. CASH AND CASH EQUIVALENTS

In the general fund, cash received by the District is pooled for investment purposes and is presented as "Cash and Cash Equivalents" on the financial statements.

During the fiscal year ended September 30, 2004, investments were limited to the Idaho State Investment Pool. The Idaho State Investment Pool is an investment pool, which allows districts within the State of Idaho to pool their funds for investment purposes. Investments in Idaho State Investment Pool are valued at cost, which materially equals market value.

For presentation in the financial statements, investments in the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

(Continued)

# Spirit Lake Fire Protection District

## NOTES TO FINANCIAL STATEMENTS September 30, 2004

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **E. CAPITAL ASSETS**

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

All capital assets are capitalized at 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. The District does not possess any infrastructure. 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 useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	40 years
Equipment	5-10 years
Fire Trucks	5-10 years

#### **F. 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 allowed to carry over vacation hours earned in the current year for up to six (6) months into the next fiscal year. Therefore, vacation balances of employees at September 30, 2005 are accrued as a liability based on their rate of pay at September 30, 2004. Sick leave benefits are not carried over, and therefore are not included in this liability accrual.

The entire compensated absence liability is reported on the government-wide financial statements.

(Continued)

# Spirit Lake Fire Protection District

## NOTES TO FINANCIAL STATEMENTS September 30, 2004

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **G. 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.

#### **H. FUND BALANCE RESERVES**

The District has the ability to reserve those portions of fund equity that are legally segregated for a specific future use or that do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates the portion of fund equity that is available for appropriation in future periods. Restricted resources are used first to fund appropriations as necessary.

#### **I. NET ASSETS**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets (net of related debt) consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

#### **J. 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. Neither type of transactions occurred during the fiscal year ended September 30, 2004.

#### **K. ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

(Continued)

# Spirit Lake Fire Protection District

## NOTES TO FINANCIAL STATEMENTS September 30, 2004

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### L. PROPERTY TAXES AND DEFERRED TAX REVENUES

Property taxes levied for 2003 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.

The District's property tax is levied each November on the assessed value listed as of the prior September for all property located in the District. Assessed values are established by the County Assessor. Property tax payments are due in one-half installments in December and June.

#### M. BUDGETARY DATA

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual budget is adopted for the general fund. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the general fund.

This is in conformance with Idaho State Statutes, which require that appropriations lapse at the end of a fiscal year and are not available to be carried forward to be used in addition to the succeeding year's appropriation. The budget was not amended in the current fiscal year.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- a) The District publishes a proposed budget for public review.
- b) Public hearings are set to obtain taxpayer comments.
- c) Prior to October 1, the budget is adopted by resolution of the Board of Commissioners and published.

Lapsing of Appropriations – At the close of each year, all unspent appropriations revert to the respective funds from which they were appropriated and become subject to future appropriation.

(Continued)

# Spirit Lake Fire Protection District

## NOTES TO FINANCIAL STATEMENTS September 30, 2004

### NOTE 3: CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For the fiscal year ended September 30, 2004, the District has implemented GASB statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." At September 30, 2004 there was no effect on fund balance as a result of implementation of GASB Statement No. 33.

GASB Statement No. 34 creates new basic financial statements for reporting on the District's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements that present information for individual major funds rather than by fund type, which had been the mode of presentation in previously issued financial statements. Nonmajor funds, if they were to be utilized, would be presented in total in one column in the fund financial statements.

The implementation of GASB Statement No. 34 caused the opening fund balance at September 30, 2003 to be restated in terms of "net assets" as follows:

Total fund balances – Governmental Funds, September 30, 2003	\$ 82,115
Add: Cost of capital assets, September 30, 2003	581,546
Less: Accumulated depreciation, September 30, 2003	(338,120)
Add: Cost of land, September 30, 2003	7,500
Add: Deferred revenue, September 30, 2003	33,822
Less: Long-term debt, September 30, 2003	<u>(11,204)</u>
Net assets, September 30, 2003	<u>\$ 355,659</u>

### NOTE 4: CASH AND INVESTMENTS

The carrying amount of the District's deposits and investments with financial institutions on September 30, 2004 was \$83,228 and the bank balances were \$88,085. Investments of the District are funds held by the Idaho State Investment Pool. The bank balances and investments are categorized as follows:

Amounts insured by the FDIC, or collateralized with securities held by the District in its name	\$87,952
Idaho Investment Pool	<u>133</u>
Total bank balance	<u>\$88,085</u>

Idaho State Code allows the District to invest idle funds in certain categories. No violations of those categories have occurred during the year. Market value materially approximates cost at September 30, 2004.

(Continued)

# Spirit Lake Fire Protection District

## NOTES TO FINANCIAL STATEMENTS September 30, 2004

### NOTE 5: LINE OF CREDIT

The District has an unsecured line-of-credit with Wells Fargo Bank bearing interest at a rate of 7%. The maximum amount available under this agreement is \$35,000. As of September 30, 2004, the line-of-credit has a \$0 balance.

### NOTE 6: CAPITAL LEASES

The District has one lease agreement, which qualifies as a capital lease.

The District leased a custom pumper truck from Kansas State Bank of Manhattan beginning in 2004. The lease is for ten years and expires in 2014. This lease qualifies as a capital lease, as ownership of the assets transfers to the District at the end of the lease. The lease carries an interest rate of 4.654% and requires semi-annual lease principal payments.

The schedule of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of September 30, 2004 are as follows:

2005	\$ 33,801
2006	33,801
2007	33,801
2008	33,801
2009	33,801
Thereafter	152,105
Less: Amount representing interest	<u>(66,183)</u>
Present value of net minimum lease payments	<u>\$254,927</u>

### NOTE 7: OPERATING LEASES

The District has one lease agreement, which qualifies as an operating lease.

The District leases land for the fire station located in the City of Spirit Lake under a noncancelable operating lease effective January 1, 2002 and expiring December 31, 2011 from the Idaho Department of Lands for the sum of \$1,253 annually.

Future minimum lease payments at September 30, 2004 under operating leases are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Amount</u>
2005 – 2009	\$6,265
2010 – 2011	<u>2,506</u>
Total	<u>\$8,771</u>

(Continued)

**Spirit Lake Fire Protection District**

**NOTES TO FINANCIAL STATEMENTS  
September 30, 2004**

**NOTE 8: CHANGES IN LONG-TERM DEBT**

Changes in general long-term debt are as follows:

	<u>Balance 9/30/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/04</u>
Capital leases	\$ <u>11,204</u>	\$ <u>272,561</u>	\$ <u>28,838</u>	\$ <u>254,927</u>

**NOTE 9: CAPITAL ASSETS**

Following is a recap of capital assets for the fiscal year ended September 30, 2004:

	<u>September 30, 2003</u>	<u>Adjustments Additions</u>	<u>Deletions</u>	<u>September 30, 2004</u>
<b>CAPITAL ASSETS:</b>				
Land	\$ 7,500			\$ 7,500
Buildings	94,411			94,411
Vehicles	444,326	\$275,561		719,887
Equipment	<u>42,809</u>			<u>42,809</u>
Total capital assets	<u>589,046</u>	<u>272,561</u>		<u>864,607</u>
<b>LESS: ACCUMULATED DEPRECIATION</b>				
Buildings	35,460	2,361		37,821
Vehicles	290,539	55,979		346,518
Equipment	<u>12,122</u>	<u>6,115</u>		<u>18,237</u>
Total accumulated depreciation	<u>338,121</u>	<u>64,455</u>		<u>402,576</u>
Capital assets, net of accumulated depreciation	<u>\$250,925</u>	<u>\$208,106</u>	\$_____	<u>\$462,031</u>

Assets are located at several sites located throughout the District.

**NOTE 10: DEFINED BENEFIT PENSION PLAN**

Public Employee Retirement System of Idaho – The Public Employee Retirement System of Idaho (PERSI), a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. Financial reports for the plan are available from PERSI upon request.

(Continued)

# Spirit Lake Fire Protection District

## NOTES TO FINANCIAL STATEMENTS September 30, 2004

**NOTE 10: DEFINED BENEFIT PENSION PLAN (Continued)**

After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months. For the year ended September 30, 2004, the required contribution rates of covered payroll were as follows:

	<u>District</u>	<u>Employees</u>
For the period October 1, 2003 through June 30, 2004:		
General employees	9.77%	5.86%
Police officer/firefighter employees	10.11%	7.21%
For the period July 1, 2004 through September 30, 2004:		
General employees	10.39%	6.23%
Police officer/firefighter employees	10.73%	7.65%

The District contributions, required and paid were \$22,857 and \$19,806 for the years ended September 30, 2004, and 2003, respectively.

**NOTE 11: OPERATING AGREEMENT WITH KOOTENAI COUNTY EMERGENCY MEDICAL SERVICES SYSTEM**

The District has entered into a cooperative agreement with Kootenai County Emergency Medical Services System (the System) authorized by Kootenai County. This agreement authorizes the System and the District to operate and manage Kootenai County's pre-hospital emergency medical services system, including paramedic, advanced and basic life support services, and emergency and non-emergency medical transport services. The District provides the System with sufficient personnel to staff an ambulance at their main station in Spirit Lake, on a twenty-four hour basis, seven days per week. 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. In return, the System is required to pay to the District \$8,333 monthly for each month this agreement is in effect.

**NOTE 12: EXPENDITURES OVER APPROPRIATIONS**

The following funds had an excess of functional expenditures over appropriations for the year ended September 30, 2004:

<u>Fund</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess of Actual Over Budgeted Expenditures</u>
General	\$ <u>410,630</u>	\$ <u>732,492</u>	\$ <u>321,862</u>

(Continued)

**NOTES TO FINANCIAL STATEMENTS  
September 30, 2004**

**NOTE 13: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omission, injuries to employees and natural disasters. The District contracts with an insurance company for property insurance (including vehicles and machinery) and general liability insurance.

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The District provides medical and dental insurance to most employees

**NOTE 14: ACCRUED VACATION BENEFITS**

Included in long-term liabilities on the government-wide financial statements is an accrual for vacation and personal leave benefits in the amount of \$1,108. Governmental Accounting Standards Board Statement No. 16 requires accrual of employee compensation for future absences if certain conditions exist.

**FINANCIAL SECTION**

**REQUIRED SUPPLEMENTARY INFORMATION**

**Spirit Lake Fire Protection District**

**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
For the year ended September 30, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Property taxes	\$ 305,403	\$ 298,839	\$ (6,564)
Penalties and interest		6,007	6,007
Special fees	5,195	12,155	6,960
Sales taxes	4,000	5,237	1,237
EMS revenue	100,000	100,000	
Contracted assistance-coop accounts		6,597	6,597
Grant revenue		10,469	10,469
Interest income		13	13
Miscellaneous		6,169	6,169
Total revenues	<u>414,598</u>	<u>445,486</u>	<u>30,888</u>
<b>EXPENDITURES</b>			
Current:			
Wages	218,437	213,767	4,670
Volunteer incentive program	8,500	7,975	525
Miscellaneous and other		372	(372)
Supplies	4,200	4,476	(276)
Uniforms, emblems		3,770	(3,770)
Auto and fuel	5,500	5,581	(81)
Repairs and maintenance	23,200	16,624	6,576
Small equipment		41,724	(41,724)
Insurance	9,000	18,860	(9,860)
Utilities, telephone and internet	14,100	14,418	(318)
Retirement	21,035	22,857	(1,822)
Office and postage		2,689	(2,689)
Fundraising		552	(552)
Training	4,250	9,384	(5,134)
Payroll taxes	23,356	17,666	5,690
Food supplies/drills/award dinners	1,000	1,825	(825)
Employee benefits	25,200	19,291	5,909
Legal and professional	4,000	2,750	1,250
Dues and subscriptions		3,191	(3,191)
Fire prevention and supplies	1,170	665	505
Land lease	1,250	2,153	(903)
Debt service:			
Vehicle lease payments	39,432	28,839	10,593
Interest payments		17,502	(17,502)
Capital outlay	7,000	275,561	(268,561)
Total expenditures	<u>410,630</u>	<u>732,492</u>	<u>(321,862)</u>
Deficiency of revenues under expenditures	<u>3,968</u>	<u>(287,006)</u>	<u>(290,974)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Contingencies	(3,000)		3,000
Financing income for capital outlay		272,561	272,561
Total other financing sources and uses	<u>(3,000)</u>	<u>272,561</u>	<u>275,561</u>
Net change in fund balances	968	(14,445)	(15,413)
Fund balances - beginning	82,115	82,115	
Fund balances - ending	<u>\$ 83,083</u>	<u>\$ 67,670</u>	<u>\$ (15,413)</u>

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

**FINANCIAL SECTION**

**REPORT REQUIRED BY THE GAO**



# Magnuson, McHugh & Company, P.A.

Certified Public Accountants

## 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  
Spirit Lake Fire Protection District  
Spirit Lake, Idaho 83869

We have audited the financial statements of the governmental activities of Spirit Lake Fire Protection District as of and for the year ended September 30, 2004, which collectively comprise the District's basic financial statement and have issued our report thereon dated October 31, 2005. 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Spirit Lake Fire Protection District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be a material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

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

This report is intended solely for the information and use of the audit committee, management, the Board of Commissioners and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

MAGNUSON, MCHUGH & Co., P.A.

*Magnuson, McHugh & Company, P.A.*

October 31, 2005