

**SPIRIT LAKE FIRE PROTECTION DISTRICT**

**FINANCIAL STATEMENT  
SEPTEMBER 30, 2005**

**SPIRIT LAKE FIRE PROTECTION DISTRICT  
September 30, 2005**

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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, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Spirit Lake Fire Protection District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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, 2005, 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.

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 our report dated December 6, 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.*

December 6, 2005

**FINANCIAL SECTION**

**BASIC FINANCIAL STATEMENTS**

# Spirit Lake Fire Protection District

## STATEMENT OF NET ASSETS September 30, 2005

	<u>2005</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 62,422
Receivables:	
Property taxes	31,095
Other	22,400
Capital assets net of accumulated depreciation	<u>401,380</u>
Total assets	<u>517,297</u>
<b>LIABILITIES</b>	
Accounts payable	3,456
Accrued payroll and benefits	2,507
Noncurrent liabilities:	
Due within one year	34,886
Due in more than one year	<u>199,417</u>
Total liabilities	<u>240,266</u>
<b>NET ASSETS</b>	
Investment in capital assets, net of related debt	168,162
Unrestricted	<u>108,869</u>
Total net assets	<u>\$ 277,031</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, 2005**

	<u>2005</u>
<b>EXPENSES</b>	
Public safety - fire protection:	
Wages	\$ 221,945
Volunteer incentive program	8,002
Miscellaneous and other	1,112
Supplies	5,741
Uniforms, emblems	3,935
Auto and fuel	6,014
Repairs and maintenance	27,168
Small equipment	21,830
Insurance	19,120
Utilities, telephone and internet	16,904
Retirement	21,910
Office and postage	4,452
Fundraising	511
Training	4,933
Payroll taxes	19,487
Food supplies/drills/award dinners	2,721
Employee benefits	22,843
Legal and professional	15,020
Dues and subscriptions	3,537
Fire prevention and supplies	1,115
Land lease	2,485
Fire fighter and EMT wellness	5,281
New hire expenses	1,546
Depreciation	80,364
Interest expense	12,093
Total program expenses	<u>530,069</u>
<b>CHARGES FOR SERVICES</b>	123,429
<b>PROGRAM REVENUES</b>	
Capital grants and contributions	<u>26,967</u>
Net revenues (expenses) and changes in net assets	<u>379,673</u>
<b>GENERAL REVENUES</b>	
Property taxes, levied for general purposes	314,611
Other local revenue	33,378
Interest income	11
Miscellaneous	1,986
Total general revenues	<u>349,986</u>
Decrease in net assets	(29,687)
<b>NET ASSETS, beginning</b>	<u>306,718</u>
<b>NET ASSETS, ending</b>	<u>\$ 277,031</u>

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, 2005

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 62,422
Accounts receivable:	
Property taxes	31,095
Other	22,400
Total assets	<u>\$ 115,917</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 3,456
Accrued payroll and benefits	2,507
Deferred tax revenue	26,977
Total liabilities	<u>32,940</u>
Fund balances:	
Unreserved, undesignated	82,977
Total liabilities and fund balances	<u>\$ 115,917</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, 2005

Total fund balances - Governmental Funds, September 30, 2005		\$	82,977
Cost of capital assets, September 30, 2005	884,320		
Less: Accumulated depreciation, September 30, 2005			
Buildings	(40,181)		
Vehicles	(417,979)		
Equipment	<u>(24,780)</u>		401,380
Less: Compensated absence accrual			(1,085)
Elimination of deferred revenue			26,977
Long-term debt balance, September 30, 2005			<u>(233,218)</u>
Net assets, September 30, 2005		\$	<u><u>277,031</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, 2005

	General Fund
<b>REVENUES</b>	
Property taxes	\$ 320,685
Other local revenue	33,378
EMS revenue	117,429
Contracted assistance-coop accounts	6,000
Grant revenue	26,967
Interest income	11
Miscellaneous	1,986
Total revenues	506,456
<b>EXPENDITURES</b>	
Current:	
Wages	221,968
Volunteer incentive program	8,002
Miscellaneous and other	1,112
Supplies	5,741
Uniforms, emblems	3,935
Auto and fuel	6,014
Repairs and maintenance	27,168
Small equipment	21,830
Insurance	19,120
Utilities, telephone and internet	16,904
Retirement	21,910
Office and postage	4,452
Fundraising	511
Training	4,933
Payroll taxes	19,487
Food supplies/drills/award dinners	2,721
Employee benefits	22,843
Legal and professional	15,020
Dues and subscriptions	3,537
Fire prevention and supplies	1,115
Land lease	2,485
Fire fighter and EMT Wellness	5,281
New hire expenses	1,546
Debt service:	
Vehicle lease payments	21,708
Interest payments	12,093
Capital outlay	19,713
Total expenditures	491,149
Excess of revenues over expenditures	15,307
Fund balance - beginning	67,670
Fund balance - ending	\$ 82,977

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, 2005

Total net changes in fund balances for the year ended September 30, 2005	\$	15,307
Add: Capital outlay which is considered expenditures		19,713
Less: Depreciation expense for the year ended September 30, 2005		(80,364)
Add: Long-term debt payments considered as an expenditure		21,708
Add: Compensated absences considered as an expenditure		23
Less: Difference between revenue earned on property taxes on modified accrual basis versus revenue on property taxes on accrual basis		<u>(6,074)</u>
Change in net assets for the year ended September 30, 2005	\$	<u><u>(29,687)</u></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, 2005

### 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, 2005

### 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, 2005

### 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, 2005, 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, 2005

### 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, 2005. 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, 2005

### 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, 2005.

#### **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, 2005

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

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

Property taxes levied for 2005 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, 2005

### NOTE 3: CASH AND INVESTMENTS

The carrying amount of the District's deposits and investments with financial institutions on September 30, 2005 was \$62,422 and the bank balances were \$100,447. 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	\$100,000
Uninsured	311
Idaho Investment Pool	<u>136</u>
Total bank balance	<u>\$100,447</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, 2005.

### NOTE 4: 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, 2005, the line-of-credit has a \$0 balance.

### NOTE 5: 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, 2005 are as follows:

2006	\$ 33,801
2007	33,801
2008	33,801
2009	33,801
2010	33,801
Thereafter	118,304
Less: Amount representing interest	<u>(54,091)</u>
Present value of net minimum lease payments	<u>\$233,218</u>

(Continued)

**Spirit Lake Fire Protection District**

**NOTES TO FINANCIAL STATEMENTS  
September 30, 2005**

**NOTE 6: 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, 2005 under operating leases are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2006 – 2010	\$6,265
2011	<u>1,253</u>
Total	<u>\$7,518</u>

**NOTE 7: 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 \$1,085 for the year ended September 30, 2005. Governmental Accounting Standards Board Statement No. 16 requires accrual of employee compensation for future absences if certain conditions exist.

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

Changes in general long-term debt are as follows:

	<u>Balance 9/30/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/05</u>
Capital leases	\$254,927		\$21,709	\$233,218
Compensated absences	<u>1,108</u>		<u>23</u>	<u>1,085</u>
Total	<u>\$256,035</u>		<u>\$21,732</u>	<u>\$234,303</u>

(Continued)

## Spirit Lake Fire Protection District

### NOTES TO FINANCIAL STATEMENTS September 30, 2005

#### NOTE 9: CAPITAL ASSETS

Following is a recap of capital assets for the fiscal year ended September 30, 2005:

	September 30, 2004	Adjustments		September 30, 2005
		Additions	Deletions	
CAPITAL ASSETS:				
Land	\$ 7,500			\$ 7,500
Buildings	94,411			94,411
Vehicles	719,887	\$ 1,750		721,637
Equipment	<u>42,809</u>	<u>17,963</u>		<u>60,772</u>
Total capital assets	<u>864,607</u>	<u>\$19,713</u>		<u>884,320</u>
LESS: ACCUMULATED DEPRECIATION				
Buildings	37,821	\$ 2,360		40,181
Vehicles	346,518	71,461		417,979
Equipment	<u>18,237</u>	<u>6,543</u>		<u>24,780</u>
Total accumulated depreciation	<u>402,576</u>	<u>\$80,364</u>		<u>482,940</u>
Capital assets, net of accumulated depreciation	<u>\$462,031</u>			<u>\$401,380</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.

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, 2005, the required contribution rates of covered payroll were as follows:

The contribution requirements of Spirit Lake Fire Protection District and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended September 30, 2005, the required contribution rate as a percentage of covered payroll for members was 6.23%, for general members and 7.65% for police/firefighters. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/firefighter members. Spirit Lake Fire Protection District contributions, required and paid were \$21,910, \$22,857 and \$19,806 for the three years ended September 30, 2005, 2004, 2003 respectively.

NOTES TO FINANCIAL STATEMENTS  
September 30, 2005

**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 \$8,769 monthly for each month this agreement is in effect. During the current year, an additional one time distribution was made to the District in the amount of \$12,200.00

**NOTE 12: EXPENDITURES OVER APPROPRIATIONS**

The following funds had an excess of functional expenditures over appropriations for the year ended September 30, 2005:

<u>Fund</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess of Actual Over Budgeted Expenditures</u>
General	<u>\$433,235</u>	<u>\$491,149</u>	<u>\$57,914</u>

**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

**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, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Property taxes	\$ 327,914	\$ 320,685	\$ (7,229)
Other local revenue	4,000	33,378	29,378
EMS revenue	105,266	117,429	12,163
Contracted assistance-coop accounts		6,000	6,000
Grant revenue		26,967	26,967
Interest income		11	11
Miscellaneous		1,986	1,986
Total revenues	<u>437,180</u>	<u>506,456</u>	<u>69,276</u>
<b>EXPENDITURES</b>			
Current:			
Wages	227,589	221,968	5,621
Volunteer incentive program	8,500	8,002	498
Miscellaneous and other		1,112	(1,112)
Supplies	1,200	5,741	(4,541)
Uniforms, emblems		3,935	(3,935)
Auto and fuel	6,000	6,014	(14)
Repairs and maintenance	21,200	27,168	(5,968)
Small equipment	3,000	21,830	(18,830)
Insurance	12,000	19,120	(7,120)
Utilities, telephone and internet	17,100	16,904	196
Retirement	23,295	21,910	1,385
Office and postage	4,250	4,452	(202)
Fundraising		511	(511)
Training	5,750	4,933	817
Payroll taxes	19,230	19,487	(257)
Food supplies/drills/award dinners	1,000	2,721	(1,721)
Employee benefits	31,551	22,843	8,708
Legal and professional	4,000	15,020	(11,020)
Dues and subscriptions		3,537	(3,537)
Fire prevention and supplies	1,170	1,115	55
Land lease		2,485	(2,485)
Fire fighter and EMT wellness		5,281	(5,281)
New hire expenses		1,546	(1,546)
Debt service:			
Vehicle lease payments	21,708	21,708	
Interest payments	12,092	12,093	(1)
Capital outlay	12,600	19,713	(7,113)
Total expenditures	<u>433,235</u>	<u>491,149</u>	<u>(57,914)</u>
Excess of revenues over expenditures	<u>3,945</u>	<u>15,307</u>	<u>11,362</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Contingencies	<u>(3,000)</u>		<u>3,000</u>
Total other financing sources and uses	<u>(3,000)</u>		<u>3,000</u>
Net change in fund balances	945	15,307	14,362
Fund balances - beginning	67,670	67,670	
Fund balances - ending	<u>\$ 68,615</u>	<u>\$ 82,977</u>	<u>\$ 14,362</u>

**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, 2005, which collectively comprise the District's basic financial statement and have issued our report thereon dated December 6, 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.*

December 6, 2005