

MICA KIDD ISLAND FIRE  
PROTECTION DISTRICT

FINANCIAL STATEMENT  
SEPTEMBER 30, 2018

**MICA KIDD ISLAND FIRE PROTECTION DISTRICT**  
**September 30, 2018**

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Commissioners  
Mica Kidd Island Fire Protection District  
Coeur d'Alene, ID 83814

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Mica Kidd Island Fire Protection District, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Mica Kidd Island Fire Protection District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Mica Kidd Island Fire Protection District as of September 30, 2018, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

### **Other Matters**

#### *Required Supplementary Information*

Management has omitted Management's Discussion and Analysis (MD&A), that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and GASB No. 68 pension information, as listed in the table of contents, presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2018, on our consideration of Mica Kidd Island 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 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 assessing the District's internal control over financial reporting and compliance.

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

MAGNUSON, MCHUGH & CO., P.A.

November 27, 2018

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

**Mica Kidd Island Fire Protection District**

**STATEMENT OF NET POSITION**

**September 30, 2018**

**ASSETS**

Cash and cash equivalents	\$ 480,831
Property tax receivable	3,818
Prepaid expenses	1,768
Land	54,000
Capital assets, net of accumulated depreciation	205,349
Total assets	<u>745,766</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Proportionate share of collective deferred outflows of resources	13,769
Total deferred outflows of resources	<u>13,769</u>

**LIABILITIES**

Accounts payable	1,523
Accrued payroll and related costs	4,445
Long-term liabilities:	
Net pension liability	55,189
Total liabilities	<u>61,157</u>

**DEFERRED INFLOWS OF RESOURCES**

Proportionate share of collective deferred inflows of resources	11,179
Total deferred inflows of resources	<u>11,179</u>

**NET POSITION**

Net investment in capital assets	259,349
Unrestricted	427,850
Total net position	<u>\$ 687,199</u>

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

# Mica Kidd Island Fire Protection District

## STATEMENT OF ACTIVITIES For the Year Ended September 30, 2018

### EXPENSES

Public safety - fire protection:

Salaries and benefits	\$ 174,759
Depreciation	79,594
Small equipment	3,850
Training, clothing and other	16,347
Equipment maintenance	20,191
Insurance	14,052
Utilities	11,839
Station expense	7,290
Gas and oil	6,965
Professional services	54,379
Supplies	3,020
Dues	1,603
Unallocated actual PERSI contributions	(13,854)
Change in net pension liability	6,652
Total program expenses	<u>386,687</u>

### GENERAL REVENUES

Property taxes	343,351
Emergency medical services	3,240
Other	17,347
Interest on investments	6,888
Total general revenues	<u>370,826</u>
Decrease in net position	(15,861)
Net position - beginning	<u>703,060</u>
Net position - ending	<u>\$ 687,199</u>

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



**Mica Kidd Island Fire Protection District**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
September 30, 2018**

**ASSETS**

Cash and cash equivalents	\$ 480,831
Prepaid insurance	1,768
Property taxes receivable	3,818
Total assets	<u>\$ 486,417</u>

**LIABILITIES**

Accounts payable	\$ 1,523
Accrued payroll and related costs	2,541
Total liabilities	<u>4,064</u>

**DEFERRED INFLOWS OF RESOURCES**

Unavailable revenue - property taxes	<u>2,652</u>
Total deferred inflows of resources liabilities	<u>2,652</u>

**FUND BALANCES**

Nonspendable-prepaid expense	1,768
Unassigned	477,933
Total fund balances	<u>479,701</u>

Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 486,417</u>
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The accompanying "Notes to the Financial Statements"  
are an integral part of this statement.

**Mica Kidd Island Fire Protection District**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
September 30, 2018**

Total fund balances - Governmental funds, September 30, 2018		\$	479,701
Cost of capital assets, September 30, 2018	\$	1,152,227	
Less: Accumulated depreciation, September 30, 2018			
Buildings and improvements		(69,738)	
Motor vehicles and boats		(645,308)	
Breathing apparatus		(32,600)	
Pumps		(6,668)	
Miscellaneous equipment		<u>(138,564)</u>	259,349
Elimination of unavailable revenue - property taxes			2,652
Compensated absences payable			(1,904)
Pension liabilities and deferred outflows of resources and deferred inflows of resources related to pensions:			
District's proportionate share of the net pension liability			(55,189)
Proportionate share of collective deferred outflows of resources			13,769
Proportionate share of collective deferred inflows of resources			<u>(11,179)</u>
Net position, September 30, 2018		\$	<u><u>687,199</u></u>

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

# Mica Kidd Island Fire Protection District

## GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES For the Year Ended September 30, 2018

### REVENUES

Property taxes	\$ 342,200
Emergency medical services	3,240
Other	17,347
Interest on investments	6,888
Total revenues	<u>369,675</u>

### EXPENDITURES

Operating:	
Salaries and benefits	172,855
Small equipment	3,850
Training, clothing and other	16,347
Equipment maintenance	20,191
Insurance	14,052
Utilities	11,839
Station expense	7,290
Gas and oil	6,965
Professional services	54,379
Supplies	3,020
Dues	1,603
Total expenditures	<u>312,391</u>
Net change in fund balance	57,284
Fund balances - beginning	<u>422,417</u>
Fund balances - ending	<u>\$ 479,701</u>

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

**Mica Kidd Island 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, 2018**

Total net changes in fund balances for the year ended September 30, 2018	\$	57,284
Less: Depreciation expense for the year ended September 30, 2018		(79,594)
Add: Difference between revenue earned on property taxes on modified accrual basis versus revenue on property taxes on accrual basis		1,151
Less: Change in compensated absences		(1,904)
Add: Change in net pension liability		<u>7,202</u>
Change in net position for the year ended September 30, 2018	\$	<u><u>(15,861)</u></u>

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

# Mica Kidd Island Fire Protection District

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. 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 Mica Kidd Island Fire Protection District (the "District") consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District this includes general operations.

The District was formed and became a taxing district in 2000. The purpose of the District is to provide fire protection and emergency medical services to the Mica Kidd Island Bay region and the surrounding area as defined by the District's Board of Commissioners.

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.

The accounting methods and procedures adopted by the District conform to generally accepted accounting principles as applied to governmental entities. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following notes to the financial statements are an integral part of the District's basic financial statements.

#### B. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. Separate financial statements are provided for the governmental funds. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

#### C. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds. The emphasis of fund financial statements is on the major governmental fund.

The government reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Amounts reported as program revenues include: (1) operating grants and contributions, and (2) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include: (1) property taxes (2) charges to customers or applicants for goods, services, or privileges provided, and (3) investment income.

(Continued)

# Mica Kidd Island Fire Protection District

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the propriety fund financial statements. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend).

All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

#### E. 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, 2018, investments were limited to the Idaho State Investment Pool.

(Continued)

# Mica Kidd Island Fire Protection District

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### E. Cash and Cash Equivalents (Concluded)

The District invests in one 2a-7-like pools, 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. The Idaho 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.

Following GASB 72, ¶69 and ¶B62 the balance that the District has in the Idaho State Investment Pool is carried at cost, which materially approximates fair market value.

The District considers funds held in the Idaho State Investment Pool to be cash equivalents, as the District is able to liquidate their account at any time.

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.

#### F. 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 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 \$1,000. 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.

Land is not depreciated. The other property, vehicles, and equipment of the District are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	30 years
Motor vehicles and boats	4-20 years
Breathing apparatus	10 years
Pumps	10 years
Miscellaneous equipment	3-10 years

# Mica Kidd Island Fire Protection District

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

### NOTE 1: 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 sixty 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. Deferred Outflow/Inflows of Resources

In addition to assets, the statement of financial position 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 District only has one item that qualifies for reporting in this category. It is the deferred outflows relating to the accounting for the net pension obligation on the government-wide statement of net position, in accordance with GASB 68, Accounting and Financial Reporting for Pensions.

In addition to liabilities, the statement of financial position 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 (revenue) until that time.

The District has one type of item, which arises under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The District has one type of item, which arises under full accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, proportionate share of collective deferred inflows of resources, is reported only on the government-wide statement of net position. The government-wide statement of net position reports proportionate share of collective deferred inflows of resources from one source: accounting for the net pension obligation, in accordance with GASB 68, Accounting and Financial Reporting for Pensions.

#### I. Fund Balance Classifications

Effective October 1, 2010, the District adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

(Continued)



# Mica Kidd Island Fire Protection District

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### I. Fund Balance Classifications (Concluded)

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

**Non-spendable Fund Balance** — includes amounts that are: (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

**Assigned Fund Balance** — includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. Intent is expressed by: (a) District Council, or (b) a body (a budget, finance committee, or District Administrator and Chief Financial Officer) to which the assigned amounts are to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as non-spendable, restricted, or committed.

**Unassigned Fund Balance** — includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose.

#### J. Fund Balance Flow Assumptions

Sometimes the District 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 District’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.

#### K. Net Position Flow Assumptions

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment 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 position is reported as restricted when there are limitations imposed on its 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.

Sometimes the District 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 financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

(Continued)

# Mica Kidd Island Fire Protection District

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

#### L. 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.

#### M. Property Taxes

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 an approximation of market value established by the County Assessor. Property tax payments are due in one-half installments in December and June.

#### N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, 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 the 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.

### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### A. Budgetary Information

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 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)

# Mica Kidd Island Fire Protection District

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

### NOTE 3: CASH AND CASH EQUIVALENTS

#### General:

State statutes authorize the District's investments and deposits. The 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 during the year.

#### Custodial credit risk:

Custodial credit risk is the risk that in the event of a failure of a financial institution, the District's deposits and investments may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of September 30, 2018, the District's deposits and investments were not exposed to custodial credit risk as follows:

#### Deposits without exposure to custodial credit risk:

Amount insured by FDIC	\$ 11,596
Amount collateralized with securities held in trust, but not in the District's name	475,310
Total deposits without exposure to custodial credit risk	<u>\$ 486,906</u>

#### Fair value:

The District's investments in 2a-7-like pools are valued based upon the value of pool shares. The District invests in one 2a-7-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. 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 balances that the District has in the Idaho State Investment Pool are carried at its cost of \$475,310 which materially approximates fair market value.

The District considers funds held in the Idaho State Investment Pool to be cash equivalents, as the District is able to liquidate their account at any time.

#### Credit risk:

The Idaho State Investment Pool does not have an established credit rating, but invests in entities with a minimum credit rating of "A" as stipulated by Idaho code. The District does not have a formal policy for credit risk. Financial information on the investment pool can be obtained by contacting the Idaho State Treasurer.

(Continued)

## Mica Kidd Island Fire Protection District

### NOTES TO THE FINANCIAL STATEMENTS September 30, 2018

#### NOTE 4: GENERAL FIXED ASSETS

Following is a recap of capital assets for the fiscal year ended September 30, 2018:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Non-depreciable capital assets:					
Land	\$ 54,000	\$ -	\$ -	\$ -	\$ 54,000
Total non-depreciable capital assets	<u>54,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,000</u>
Depreciable capital assets:					
Buildings and improvements	110,646	-	(1,579)	-	109,067
Motor vehicles and boats	799,546	-	-	-	799,546
Breathing apparatus	32,600	-	-	-	32,600
Pumps	6,668	-	-	-	6,668
Miscellaneous equipment	150,346	-	-	-	150,346
Total depreciable capital assets	<u>1,099,806</u>	<u>-</u>	<u>(1,579)</u>	<u>-</u>	<u>1,098,227</u>
Less accumulated depreciation for:					
Buildings and improvements	67,057	4,260	(1,579)	-	69,738
Motor vehicles and boats	576,699	68,609	-	-	645,308
Breathing apparatus	32,600	-	-	-	32,600
Pumps	6,668	-	-	-	6,668
Miscellaneous equipment	131,839	6,725	-	-	138,564
Total accumulated depreciation	<u>814,863</u>	<u>79,594</u>	<u>(1,579)</u>	<u>-</u>	<u>892,878</u>
Total depreciable capital assets, net	<u>284,943</u>	<u>(79,594)</u>	<u>-</u>	<u>-</u>	<u>205,349</u>
Total capital assets, net	<u>\$ 338,943</u>	<u>\$ (79,594)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 259,349</u>

Depreciation expense of \$79,594 for the year ended September 30, 2018 was charged to the public safety – fire protection governmental function.

#### NOTE 5: DEFINED BENEFIT PENSION PLAN

##### *Plan Description*

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

(Continued)

# Mica Kidd Island Fire Protection District

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

### NOTE 5: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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. Amounts in parenthesis represent police/firefighters.

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 and earnings from investments. 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) if current rates are actuarially determined to be inadequate or in excess to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% (72%) of the employer rate. As of June 30, 2018, it was 6.79% (8.36%). The employer contribution rate is set by the Retirement Board and was 11.32% (11.66%) of covered compensation. The District's contributions were \$13,854 for the year ended September 30, 2018.

(Continued)

# Mica Kidd Island Fire Protection District

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

**NOTE 5: DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

At September 30, 2018, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018 the District's proportion was 0.0037416 percent.

For the year ended September 30, 2018, the District recognized pension expense of \$6,652. At September 30, 2018, 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	\$ -	\$ 6,132
Changes of assumptions	3,591	-
Net difference between projected and actual earnings on pension plan investments	6,058	4,168
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	-	879
Mica Kidd Island Fire Protection District's contributions subsequent to the measurement	4,120	-
Total	\$ 13,769	\$ 11,179

\$4,120 is reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2019.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2017 the beginning of the measurement period ended June 30, 2018 is 4.9 and 5.5 for the measurement period June 30, 2018.

(Continued)

# Mica Kidd Island Fire Protection District

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

### NOTE 5: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 June 30:**

2018	\$	4,486
2019	\$	529
2020	\$	(4,522)
2021	\$	(1,143)
2022	\$	-

#### *Actuarial Assumptions*

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

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases including inflation	3.75%
Investment rate of return	7.05%, net of investment expenses
Cost-of-living adjustments	1.00%

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

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

An experience study was performed for the period July 1, 2007 through June 30, 2013 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2018 is based on the results of an actuarial valuation date of July 1, 2018.

(Continued)

# Mica Kidd Island Fire Protection District

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2018

### NOTE 5: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 January 1, 2018.

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



**Mica Kidd Island Fire Protection District**

**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2018

**NOTE 5: DEFINED BENEFIT PENSION PLAN (CONCLUDED)**

*Discount Rate*

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

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

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

	<b>1% Decrease (6.05%)</b>	<b>Current Discount Rate (7.05%)</b>	<b>1% Increase (8.05%)</b>
Employer's net pension liability (asset)	\$ 138,151	\$ 55,189	\$ (13,507)

*Pension plan fiduciary net position*

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

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

*Payables to the pension plan*

At September 30, 2018, the District reported no payables to the defined benefit pension plan for legally required employer contributions. The District also reported no legally required employee contributions withheld from employee wages but not yet remitted to PERSI.

**NOTE 6: 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 an insurance company for property insurance (including boiler 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.

(Continued)

# Mica Kidd Island Fire Protection District

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

### NOTE 7: OPERATING LEASE

During the year ended September 30, 2015 the District entered into a lease agreement for a copy machine. The term of the lease is for 60 months with required monthly payments of \$145.67.

The following is a schedule of the future minimum lease payments required under the above lease:

	<u>Copier</u>	<u>Total</u>
2019	\$ 1,748	\$ 1,748
2020	1,748	1,748
Total	<u>\$ 3,496</u>	<u>\$ 3,496</u>

GOVERNMENT AUDIT SECTION  
REQUIRED SUPPLEMENTARY INFORMATION

**Mica Kidd Island Fire Protection District**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2018**

	<u>Final*</u> <u>Budget</u>	<u>Actual</u> <u>Amount</u>	<u>Variance With</u> <u>Final Budget</u>
<b>REVENUES</b>			
Property taxes	\$ 341,074	\$ 342,200	\$ 1,126
Emergency Medical Services	5,400	3,240	(2,160)
Grant income	5,000	-	(5,000)
Other	11,000	17,347	6,347
Interest on investments	500	6,888	6,388
Total revenues	<u>362,974</u>	<u>369,675</u>	<u>6,701</u>
<b>EXPENDITURES</b>			
Operating:			
Salaries and benefits	223,328	172,855	50,473
Small equipment	12,000	3,850	8,150
Training, clothing and other	30,500	16,347	14,153
Equipment maintenance	19,000	20,191	(1,191)
Insurance	16,000	14,052	1,948
Utilities	12,000	11,839	161
Station expense	12,100	7,290	4,810
Gas and oil	5,000	6,965	(1,965)
Professional services	24,596	54,379	(29,783)
Supplies	4,350	3,020	1,330
Dues	1,200	1,603	(403)
Capital expenditures and debt service:			
Capital expenditure	202,900	-	202,900
Total expenditures	<u>562,974</u>	<u>312,391</u>	<u>250,583</u>
Net change in fund balance	(200,000)	57,284	257,284
Fund balances - beginning	200,000	422,417	222,417
Fund balances - ending	<u>\$ -</u>	<u>\$ 479,701</u>	<u>\$ 479,701</u>

\* Budget was not amended

**Mica Kidd Island Fire Protection District**  
**GASB 68 Required Supplementary Information**  
**For the Year Ended September 30, 2018**

**Schedule of Employers's Share of Net Pension Liability**  
**PERSI - Base Plan**  
**Last 10 - Fiscal Years \***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's portion of the net pension liability	0.0037416%	0.0038104%	0.0041302%	0.0039891%
Employer's proportionate share of the net pension liability	\$ 55,189	\$ 59,893	\$ 83,725	\$ 52,530
Employer's covered-employee payroll	\$ 119,461	\$ 102,196	\$ 119,911	\$ 109,190
Employer's proportional share of the net pension liability as a percentage of its covered employee	46.20%	58.61%	69.82%	48.11%
Plan fiduciary net position as a percentage of the total pension liability	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, the District will present information for those years for which information is available.

Data reported is measured as of June 30, 2018 (measurement date).

**Schedule of Employer Contributions**  
**PERSI - Base Plan**  
**Last 10 - Fiscal Years \***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 13,854	\$ 11,945	\$ 13,825	\$ 12,608
Contributions in relation to the statutorily required contribution	13,854	11,945	13,825	12,608
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered-employee payroll of its covered employee payroll	\$ 119,461	\$ 102,196	\$ 119,911	\$ 109,190
Contributions as a percentage of covered-employee payroll	11.60%	11.69%	11.53%	11.55%

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

Data reported is reported as of September 30, 2018.

GOVERNMENT AUDIT SECTION  
REPORT REQUIRED BY THE GAO

**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**

To the Board of Commissioners  
Mica Kidd Island Fire Protection District  
Coeur d'Alene, ID 83814

We have audited, 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, the financial statements of the governmental activities and each major fund of Mica Kidd Island Fire Protection District, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 27, 2018.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Mica Kidd Island Fire Protection District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mica Kidd Island Fire Protection District's internal control. Accordingly, we do not express an opinion on the effectiveness of Mica Kidd Island 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 important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Mica Kidd Island 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 or other matters that are required to be reported under *Government Auditing Standards*.

**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 (CONCLUDED)**

**Purpose of this Report**

This 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.

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

Magnuson, McHugh, & Co., P.A.

November 27, 2018