

WORLEY FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

WORLEY FIRE PROTECTION DISTRICT
September 30, 2022

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Worley Fire Protection District
Worley, ID 83876

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Worley Fire Protection District, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Worley Fire Protection District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require 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 required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2023, on our consideration of Worley Fire Protection District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Worley Fire Protection District's internal control over financial reporting and compliance.

Magnuson, McHugh & Company, P.A.

Magnuson, McHugh & Company, P.A.

June 7, 2023

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

Worley Fire Protection District

STATEMENT OF NET POSITION

September 30, 2022

ASSETS

Cash and cash equivalents	\$ 721,959
Receivables	83,755
Land	128,500
Capital assets, net of accumulated depreciation	2,406,328
Right-of-use lease asset, net of accumulated amortization	15,664
Total assets	<u>3,356,206</u>

DEFERRED OUTFLOWS OF RESOURCES

Proportionate share of collective deferred outflows of resources	<u>293,874</u>
Total deferred outflows of resources	<u>293,874</u>

LIABILITIES

Accounts payable and accrued expenses	44,765
Accrued interest payable	1,214
Financed purchase - current portion	26,729
Lease liability - current portion	3,868
Noncurrent liabilities:	
Compensated absences	27,420
Net pension liability	547,205
Financed purchase - noncurrent portion	242,271
Lease liability - noncurrent portion	12,315
Total liabilities	<u>905,787</u>

DEFERRED INFLOWS OF RESOURCES

Proportionate share of collective deferred inflows of resources	<u>44,283</u>
Total deferred inflows of resources	<u>44,283</u>

NET POSITION

Net investment in capital assets and leases	2,265,309
Unrestricted	434,701
Total net position	<u>\$ 2,700,010</u>

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

Worley Fire Protection District

STATEMENT OF ACTIVITIES For the Year Ended September 30, 2022

EXPENSES

Public safety - fire protection:	
Labor	\$ 527,067
Payroll taxes and benefits	135,069
Professional fees	214,241
Administrative expenses	13,973
Office supplies	7,371
Station expenses	77,450
Communications	813
Fleet	25,156
Fire operations	25,788
Training	3,152
Bank service charges	1,662
Change in net pension asset	137,648
Unallocated PERSI contributions	(65,414)
Depreciation	178,042
Amortization	2,712
Interest	27,638
Total expenditures	<u>1,312,368</u>

PROGRAM REVENUES

Charges for services - KCEMSS	<u>222,972</u>
Net program expenses	<u>1,089,396</u>

GENERAL REVENUES

Property taxes	1,064,632
Gain on sale of assets	121,106
Sales tax	43,149
Interest on investments	3,415
Miscellaneous revenue	14,814
Total general revenues	<u>1,247,116</u>

Change in net position	157,720
Net position - beginning	2,542,559
Prior period adjustment	<u>(269)</u>
Net position - ending	<u>\$ 2,700,010</u>

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

Worley Fire Protection District

GOVERNMENTAL FUNDS BALANCE SHEET September 30, 2022

ASSETS

Cash and cash equivalents	\$ 721,959
Accounts receivable:	
Taxes receivable	82,260
Other receivables	1,495
Total assets	<u>\$ 805,714</u>

LIABILITIES AND FUND BALANCES

Accounts payable	\$ 8,948
Accrued payroll and related costs	35,817
Total liabilities	<u>44,765</u>

DEFERRED INFLOWS OF RESOURCES

Unavailable revenue - property taxes	73,171
Total deferred inflows of resources liabilities	<u>73,171</u>

FUND BALANCES

Unassigned	687,778
Total fund balances	<u>687,778</u>

Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 805,714</u>
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The accompanying "Notes to the Financial Statements"
are an integral part of this statement.

Worley Fire Protection District

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

September 30, 2022

Total fund balances - Governmental Funds, September 30, 2022		\$	687,778
Cost of capital assets	\$ 4,975,209		
Less: Accumulated depreciation			
Buildings and improvements	(1,116,348)		
Fire trucks/apparatus	(757,372)		
Equipment	(525,418)		
Furniture and fixtures	<u>(41,243)</u>		2,534,828
Right-of-use lease asset	20,643		
Less: Accumulated amortization	<u>(4,979)</u>		15,664
Elimination of deferred revenue			73,171
Lease liability - current portion			(3,868)
Noncurrent liabilities:			
Interest payable			(1,214)
Compensated absences			(27,420)
Lease liability - noncurrent portion			(12,315)
Financed purchase			(269,000)
Pension liabilities and deferred outflows of resources and deferred inflows of resources related to pensions:			
District's proportionate share of the net pension liability			(547,205)
Proportionate share of collective deferred outflows of resources			293,874
Proportionate share of collective deferred inflows of resources			<u>(44,283)</u>
Net position, September 30, 2022		\$	<u><u>2,700,010</u></u>

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

Worley Fire Protection District

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES For the Year Ended September 30, 2022

REVENUES

Property taxes	\$	1,057,066
Sales tax		43,149
Emergency medical services		222,972
Interest income		3,415
Miscellaneous revenue		14,814
Total revenues		<u>1,341,416</u>

EXPENDITURES

Public safety - fire protection:

Labor	556,293
Payroll taxes and benefits	135,069
Professional fees	214,241
Administrative expenses	13,973
Office supplies	7,371
Station expenses	79,912
Communications	813
Fleet	25,156
Fire operations	25,788
Training	3,152
Bank service charges	1,662
Capital outlay	269,000
Debt service:	
Principal	508,595
Interest	28,985
Total expenditures	<u>1,870,010</u>

Excess (deficiency) of revenues over (under) expenditures (528,594)

OTHER FINANCING SOURCES

Proceeds from financed purchase	269,000
Sale of capital assets	577,551
Total other financing sources	<u>846,551</u>

Net change in fund balances 317,957

Fund balances - beginning 369,821

Fund balances - ending \$ 687,778

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

Worley 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, 2022

Total net changes in fund balances for the year ended September 30, 2022	\$	317,957
Add: Capital outlay which is considered expenditures		269,000
Less: Depreciation expense for the year ended September 30, 2022		(178,042)
Less: Amortization expense on lease		(2,712)
Add: Financed purchase payments considered as an expenditure		508,595
Add: Lease liability payments considered as an expenditure		2,462
Add: Difference between revenue earned on property taxes on modified accrual basis versus revenue on property taxes on accrual basis		7,566
Add: Difference in compensated absences for the year ended September 30, 2022		29,226
Add: Difference in accrued interest payable for the year ended September 30, 2022		1,347
Less: Proceeds from sale of assets		(577,551)
Add: Gain on disposal of assets		121,106
Less: Net pension offset (expense)		(72,234)
Less: Proceeds from finance purchase		<u>(269,000)</u>
Change in net position for the year ended September 30, 2022	\$	<u><u>157,720</u></u>

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

Worley Fire Protection District

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Worley Fire Protection District (the District) was formed and became a taxing district in 1969. The District operates under a locally elected Board of Commissioners and provides fire protection and emergency medical services to Worley, Idaho and the surrounding area as defined by the District's Board of Commissioners. Commissioners are elected by the public and have decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

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 District is a governmental subdivision of Idaho and a body politic and corporate. The District has oversight responsibility and control over all activities related to the District's functions. The District is not included in any other governmental "reporting entity" as defined in GASB pronouncements, since the public elects the District Commissioners. All accounts and operations of the District are included in these financial statements.

The 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 Statements

The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. The statements present the *governmental activities* of the District. Governmental activities generally are funded through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between the direct and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

(Continued)

Worley Fire Protection District

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Generally accepted accounting principles require that the general fund be reported as a major fund. In addition, major funds include all other government funds whose total assets, liabilities, revenues, or expenditures are at least 10% or more of the total for all government funds. Accordingly, the District maintains only one governmental major fund type, the general fund.

General Fund – This is the District's operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Principal sources of revenue are property taxes. Expenditures are for financial and administrative, facilities, operations, and maintenance.

D. Measurement Focus, Basis of Accounting

Government-wide – The government-wide fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements – Governmental funds are recoded using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes are considered to be susceptible to accrual.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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, 2022, investments were limited to the Idaho State Investment Pool.

(Continued)

Worley Fire Protection District

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2022

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. Receivables

The District records real and personal property taxes as they are assessed, not as collected. Cancellations and uncollectible taxes for this and prior years were minimal, thus no allowance for uncollectible taxes is necessary.

Receivable for federal and state grants, federal revenue sharing entitlements and state, county and local shared revenue are recorded as revenue in all fund types as measurable and available.

G. 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. The taxes are collected and remitted to the District by Kootenai County.

H. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation.

The District maintains a capitalization threshold of \$5,000. The District has no public domain assets. 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 assets' lives are not capitalized.

(Continued)

Worley Fire Protection District

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (Concluded)

Capital assets are depreciated using the Straight-Line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings and improvements	7 - 40
Station equipment and vehicles	7 - 20
Furniture and fixtures	5 - 10
Fire trucks and equipment	15

I. 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' right to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees who qualify.

Employees are granted vacation and sick leave benefits in varying amounts to specified maximums based on tenure and hours worked per week. Generally, after three months of service, employees are entitled to their accrued vacation leave upon separation of service. The liability for accumulated compensated absences as of September 30, 2022, was \$27,420 and has been recorded in the government-wide statement of net position.

Upon employment separation from the District, employees are not eligible for sick leave compensation; therefore, sick leave is not accrued as a liability.

J. 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 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.

(Continued)

Worley Fire Protection District

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Accrued Liabilities and Long-term Obligations (Concluded)

Leases, which meet certain criteria established by the Financial Accounting Standards Board, are classified as operating or finance right of use leases, the assets and related liabilities are recorded at amounts equal to the present value of minimum lease payments. Leases which do not meet the criteria of a lease are classified as operating expenses.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows 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 only one type of item, which arises under a modified accrual basis of accounting and accrual basis of accounting, which 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.

L. Fund Balance Classifications

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 — 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.

(Continued)

Worley Fire Protection District

NOTES TO THE FINANCIAL STATEMENTS September 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Balance Classifications (Concluded)

Restricted – amounts restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Legal enforceability means that the District can be compelled by an external party (e.g., citizens, public interest groups, the judiciary) to use resources created by enabling legislation only for purposes specified by the legislation.

Committed – amounts that can only be used for specific purposes as a result of constraints imposed by the Board. Amounts in the committed fund balance classification may be used for other purposes with appropriate due process by the Board. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

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 – the residual classification for the general fund. This classification represents general fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the general fund.

M. Fund Balance Flow Assumptions

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 6). Restricted funds are used first, as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the Commissioners or the Assignment has been changed by the Chief. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order. The District reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

N. Net Position Flow Assumptions

Net position represents the difference between assets and liabilities. Net investment in capital assets and leases (net of related debt) consists of capital assets, net of accumulated depreciation and right of use lease assets net of accumulated amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets and liabilities. Net position is 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.

O. Use of Restricted Funds

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

(Continued)

Worley Fire Protection District

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Extraordinary or 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, 2022.

Q. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

R. Pensions

For purposes of measuring the net pension liability/asset and pension expense/offset, 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.

S. 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 current year budget was not amended.

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)

Worley Fire Protection District

NOTES TO THE FINANCIAL STATEMENTS September 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

T. Recently Issued Accounting Standards

In 2017, the Governmental Accounting Standards Board (GASB) issued Summary of Statement Number 87 Leases (GASB 87), which is required to be adopted for entities with fiscal years beginning after June 15, 2021. The objective of GASB 87 is to improve reporting for certain operating and finance leases. The District has considered the effect that GASB 87 will have on the financial statements and has adopted and implemented the requirements of GASB 87 for the year ended September 30, 2022.

NOTE 2: CASH AND INVESTMENTS

General:

State statutes authorize the District's investments. 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 unauthorized investment transactions were carried out by the District during the year.

Custodial Credit Risk

Custodial credit risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk as it deposits funds in financial institutions that are members of the U.S. Federal Deposit Insurance Corporation (FDIC) and has never experienced such a loss.

As of September 30, 2022, the District's deposits were exposed to custodial credit risk as follows:

Deposits without exposure to custodial credit risk:

Amount insured by FDIC or other agencies	\$ 211,206
Amount collateralized with securities held in trust, but not in District's name	<u>523,694</u>
Total deposits without exposure to custodial credit risk	<u>\$ 734,900</u>

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

Statement of net position	
Cash and cash equivalents	\$ 721,959
	<u>\$ 721,959</u>
Cash and cash investments as of September 30, 2022 consist of the following:	
Cash	\$ 198,265
Cash equivalents	
Idaho state investment pool deposits	<u>523,694</u>
	<u>\$ 721,959</u>

(Continued)

Worley Fire Protection District

NOTES TO THE FINANCIAL STATEMENTS September 30, 2022

NOTE 2: CASH AND INVESTMENTS (CONCLUDED)

Custodial Credit Risk (Concluded)

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.

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.

NOTE 3: RECEIVABLES

The following is a schedule of property taxes assessed for the year, collected, and remaining to be received:

Year	Balance 9/30/2021	Levy 2022	Adjustments and Collections	Balance 9/30/2022
2018-2021	\$ 67,156	\$ 1,025,582	\$ (1,010,478)	\$ 82,260

In accordance with NCGA Interpretation #3, revenue, which is not received within 60 days of the year-end, has been reflected as deferred revenue. The balance as of September 30, 2022, is as follows:

Taxes due at September 30, 2022	\$ 82,260
Received October 2022	(8,099)
Received November 2022	(990)
Total	\$ 73,171

Accounts receivable include amounts due from various customers generally for permit fees. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectible. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with amounts receivable was \$0 for the year ended September 30, 2022.

(Continued)

Worley Fire Protection District

NOTES TO THE FINANCIAL STATEMENTS September 30, 2022

NOTE 4: CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciable capital assets:				
Land	\$ 133,500	\$ -	\$ (5,000)	\$ 128,500
Total non-depreciable capital assets	<u>133,500</u>	<u>-</u>	<u>(5,000)</u>	<u>128,500</u>
Depreciable capital assets:				
Buildings and improvements	2,923,594	-	(18,243)	2,905,351
Fire trucks/apparatus	1,805,330	269,000	(840,523)	1,233,807
Apparatus equipment	215,515	-	-	215,515
Station equipment	449,966	-	-	449,966
Furniture and fixtures	42,070	-	-	42,070
Total depreciable capital assets	<u>5,436,475</u>	<u>269,000</u>	<u>(858,766)</u>	<u>4,846,709</u>
Less accumulated depreciation for:				
Buildings and improvements	1,059,609	72,208	(15,469)	1,116,348
Fire trucks/apparatus	1,067,926	81,298	(391,852)	757,372
Apparatus equipment	208,095	1,683	-	209,778
Station equipment	293,200	22,440	-	315,640
Furniture and fixtures	40,830	413	-	41,243
Total accumulated depreciation	<u>2,669,660</u>	<u>178,042</u>	<u>(407,321)</u>	<u>2,440,381</u>
Total depreciable capital assets, net	<u>2,766,815</u>	<u>90,958</u>	<u>(451,445)</u>	<u>2,406,328</u>
Total capital assets, net	<u>\$ 2,900,315</u>	<u>\$ 90,958</u>	<u>\$ (456,445)</u>	<u>\$ 2,534,828</u>

Depreciation expense of \$178,042 for the year ended September 30, 2022, was charged to the public safety – fire protection governmental function.

(Continued)

Worley Fire Protection District

NOTES TO THE FINANCIAL STATEMENTS September 30, 2022

NOTE 5: LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended September 30, 2022, are as follows:

	Balance 9/30/2021	Adjustments	New debt/ Additions	Payments/ Reductions	Balance 9/30/2022	Current Portion
Financed purchase						
Fire station lease	\$ 414,765	\$ -	\$ -	\$ 414,765	\$ -	\$ -
Fire truck lease	93,830	-	-	93,830	-	-
Mini Pumper Truck	-	-	269,000	-	269,000	26,729
Operating Lease						
Copier	-	6,503	-	1,619	4,884	1,731
Gym Equipment	-	-	12,142	843	11,299	2,137
Compensated absences	56,646	-	-	29,226	27,420	-
Total	<u>\$ 565,241</u>	<u>\$ 6,503</u>	<u>\$ 281,142</u>	<u>\$ 540,283</u>	<u>\$ 312,603</u>	<u>\$ 30,597</u>

NOTE 6: FINANCED PURCHASES

In August 2009, the District entered into a lease-purchase agreement financed with Wells Fargo Brokerage Services, LLC to construct a new fire station that expires in 2024 and includes an interest rate of 6.1%. On August 23, 2022, the District was able to pay off the lease-purchase agreement early.

In March 2016, the District entered into a lease-purchase agreement financed with Community First National Bank for a 2015 Rosenbauer pumper truck that expires in 2023 and includes an interest rate of 2.96%. On August 9, 2022, the District was able to pay off the lease-purchase agreement early.

In July 2022, the District entered into a lease-purchase agreement financed with Community First National Bank for a 2022 New Fouts Four Mini-Pumper that expires in 2032 and includes an interest rate of 4.14%.

Future minimum lease-purchase agreement payments are as follows:

<u>For the year ended,</u>	<u>Mini Pumper</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 26,729	\$ 6,069	\$ 32,798
2024	22,758	10,040	32,798
2025	23,701	9,097	32,798
2026	24,684	8,114	32,798
2027	25,706	7,092	32,798
2028-2032	145,422	18,567	163,989
	<u>\$ 269,000</u>	<u>\$ 58,979</u>	<u>\$ 327,979</u>

(Continued)

Worley Fire Protection District

NOTES TO THE FINANCIAL STATEMENTS September 30, 2022

NOTE 7: LEASE OBLIGATIONS

During the year ended September 30, 2020, the District entered into a lease agreement for a copy machine. The term of the lease is for 63 months with required monthly payments of \$167. The right-of-use lease asset has been recorded at the present value of future minimum lease payments of \$8,501 with accumulated amortization of \$3,967. The District chose to use an incremental borrowing interest rate at 6.67%.

During the year ended September 30, 2022, the District entered into a lease agreement for gym equipment. The term of the lease is for 60 months with required monthly payments of \$245. The right-of-use lease asset has been recorded at the present value of future minimum lease payments of \$12,142, with accumulated amortization of \$1,012. The District chose to use an incremental borrowing interest rate at 7.719%.

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

Year Ending September 30,	Equipment		
	Principal	Interest	Total
2023	\$ 3,868	\$ 1,071	\$ 4,939
2024	4,158	781	4,939
2025	3,796	475	4,271
2026	2,692	243	2,935
2027	1,669	43	1,712
Principal balance due	<u>\$ 16,183</u>	<u>\$ 2,613</u>	<u>\$ 18,796</u>

Following is a recap of right-of-use lease assets for the fiscal year ended September 30, 2022:

Governmental activities:	Beginning Balance	GASB 87 Adjustment	Additions	Deletions	Ending Balance
Right-of-use lease assets:					
Copier	\$ -	\$ 8,501	\$ -	\$ -	\$ 8,501
Gym Equipment	-	-	12,142	-	12,142
Total right-of-use lease assets	<u>-</u>	<u>8,501</u>	<u>12,142</u>	<u>-</u>	<u>20,643</u>
Less accumulated amortization for:					
Copier	-	2,267	1,700	-	3,967
Gym Equipment	-	-	1,012	-	1,012
Total accumulated amortization	<u>-</u>	<u>2,267</u>	<u>2,712</u>	<u>-</u>	<u>4,979</u>
Total amortized right-of-use lease assets, net	<u>\$ -</u>	<u>\$ 6,234</u>	<u>\$ 9,430</u>	<u>\$ -</u>	<u>\$ 15,664</u>

(Continued)

Worley Fire Protection District

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2022

NOTE 8: OPERATING AGREEMENTS

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 Worley, on a twenty-four-hour basis, seven days per week. These employees shall always remain the employees of the District, and the District is responsible for payment of wages, benefits, and payroll taxes. In return, the System is required to pay the District \$17,523 monthly for each month this agreement is in effect. During the fiscal year ended September 30, 2022, the System paid the District \$222,972.

The District has also entered into a service agreement with Mica Kidd Island Fire Protection District ("Mica Fire"). The operating agreement authorizes the District to manage Mica Fire. During the fiscal year ended September 30, 2022, Mica Fire paid the District \$3,075.

NOTE 9: RISK MANAGEMENT

The District's workman's compensation coverage is provided by the Idaho State Insurance Fund. During fiscal year ending September 30, 2022, the District paid \$26,086 from the general fund for this insurance coverage.

NOTE 10: DEFINED BENEFIT PENSION PLAN

Plan Description

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

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary.

(Continued)

Worley Fire Protection District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 10: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Benefits (Concluded)

Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 74% for public safety. As of June 30, 2022, it was 7.16% for general employees and 9.13% for public safety. The employer contribution rate is set by the Retirement Board and was 11.94% for general employees and 12.28% for police and firefighters. The District's contributions were \$64,861 for the year ended September 30, 2022.

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

At September 30, 2022, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension asset was based on the District's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2022, the District's proportion was 0.0138928 percent.

(Continued)

Worley Fire Protection District

NOTES TO THE FINANCIAL STATEMENTS September 30, 2022

NOTE 10: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

For the year ended September 30, 2022, the District recognized pension expense (revenue) of \$137,648. At September 30, 2022 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 125,905	\$ -
Changes of assumptions	89,211	-
Net difference between projected and actual earnings on pension plan investments	60,173	2,442
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	-	41,841
Worley Fire Protection District's contributions subsequent to the measurement date	18,585	-
Total	\$ 293,874	\$ 44,283

\$18,585 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 asset in the year ending September 30, 2023.

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year ended September 30:	
2023	\$ (65,248)
2024	\$ (70,832)
2025	\$ (32,760)
2026	\$ (104,007)

(Continued)

Worley Fire Protection District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 10: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions

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

The total pension asset in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases including inflation	3.05%
Investment rate of return	6.35%, net of investment expenses
Cost-of-living adjustments	1.00%

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

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

(Continued)

Worley Fire Protection District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 10: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions (Concluded)

The best estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of 2022.

<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%	1.80%	-0.20%
Broad US Equities	55.00%	8.00%	6.00%
Developed Foreign Equities	15.00%	8.25%	6.25%
Assumed Inflation - Mean		2.00%	2.00%
Assumed Inflation - Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.18%	4.18%
Portfolio Standard Deviation		12.29%	12.29%
Portfolio Long-Term (Geometric) Expected Rate of Return		5.55%	3.46%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses		5.15%	3.06%
Portfolio Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.14%
Portfolio Standard Deviation			14.16%
Valuation Assumptions Chosen by PERSI Board			
Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.05%
Assumed Inflation			2.30%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses			<u>6.35%</u>

Discount Rate

The discount rate used to measure the total pension liability was 6.35%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Worley Fire Protection District
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 10: DEFINED BENEFIT PENSION PLAN (CONCLUDED)

Sensitivity of the Employer's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate

The following presents the Employer's proportionate share of the net pension asset calculated using the discount rate of 6.35 percent, as well as what the Employer's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (5.35 percent) or 1-percentage-point higher (7.35 percent) than the current rate:

	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
District's net pension liability (asset)	\$ 965,763	\$ 547,205	\$ 204,626

Pension Plan Fiduciary Net Position

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

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

Payables to the Pension Plan

At September 30, 2022, the Worley Fire Protection District reported \$5,999 due to the defined benefit pension plan for legally required employer contributions and \$4,326 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

NOTE 11: EXCESS ACTUAL EXPENDITURES OVER BUDGET

The following is a schedule of excess expenditures over appropriations for the year ended September 30, 2022.

	Final Budgeted Expenditures	Actual Expenditures	Excess of Budgeted Expenditures
	\$ 1,423,433	\$ 1,870,010	\$ 446,577

(Continued)

Worley Fire Protection District

NOTES TO THE FINANCIAL STATEMENTS September 30, 2022

NOTE 12: SUBSEQUENT EVENT

During 2022, a Foundation was formed to raise funding to support the District's needs. The Foundation is separate from the District. There was no exchange between the Foundation and the District during the year ended September 30, 2022, however, funds will be exchanged in the future fiscal year.

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

Worley Fire Protection District

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGETARY AND ACTUAL For the Year Ended September 30, 2022

	<u>Final*</u> <u>Budget</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
REVENUES			
Property taxes	\$ 1,020,911	\$ 1,057,066	\$ 36,155
Other county taxes	29,000	-	(29,000)
Sales tax	35,000	43,149	8,149
Emergency medical services	225,722	222,972	(2,750)
Interest income	1,100	3,415	2,315
Miscellaneous revenue	10,700	14,814	4,114
Capital purchase fund	101,000	-	(101,000)
Total revenues	<u>1,423,433</u>	<u>1,341,416</u>	<u>(82,017)</u>
EXPENDITURES			
Labor	601,704	556,293	(45,411)
Payroll taxes and benefits	141,445	135,069	(6,376)
Professional fees	251,300	214,241	(37,059)
Administrative expenses	12,900	13,973	1,073
Office supplies	8,000	7,371	(629)
Station expenses	61,700	79,912	18,212
Communications	6,000	813	(5,187)
Fleet	38,500	25,156	(13,344)
Fire operations	33,300	25,788	(7,512)
EMS expense	4,000	-	(4,000)
Training	5,250	3,152	(2,098)
Bank service charges	-	1,662	1,662
Capital outlay	54,871	269,000	214,129
Debt service:			
Principal	176,385	508,595	332,210
Interest	28,078	28,985	907
Total expenditures	<u>1,423,433</u>	<u>1,870,010</u>	<u>(446,577)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(528,594)</u>	<u>(528,594)</u>
OTHER SOURCES			
Sale of capital assets	-	577,551	577,551
Proceeds from financed purchase	-	269,000	269,000
Total other sources	<u>-</u>	<u>846,551</u>	<u>846,551</u>
Net change in fund balances	-	317,957	317,957
Fund balances - beginning	<u>-</u>	<u>369,821</u>	<u>369,821</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 687,778</u>	<u>\$ 687,778</u>

* Budget was not amended

Worley Fire Protection District

**GASB 68 Required Supplementary Information
For the Year Ended September 30, 2022**

**Schedule of Employer's Share of Net Pension Liability (Asset)
PERSI - Base Plan
Last 10 - Fiscal Years ***

	<u>2022</u>	<u>2021</u>
Employer's portion of the net pension liability (asset)	0.0138928%	0.0176456%
Employer's proportionate share of the net pension liability (asset)	\$ 547,205	\$ (13,936)
Employer's covered-employee payroll	\$ 521,919	\$ 628,899
Employer's proportional share of the net pension liability (asset) as a percentage of its covered employee payroll	104.84%	-2.22%
Plan fiduciary net position as a percentage of the total pension liability (asset)	83.09%	100.36%

* 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, 2022 (measurement date).

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

	<u>2022</u>	<u>2021</u>
Statutorily required contribution	\$ 64,861	\$ 77,051
Contributions in relation to the statutorily required contribution	64,861	77,051
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Employer's covered-employee payroll of its covered employee payroll	\$ 521,919	\$ 628,899
Contributions as a percentage of covered-employee payroll	12.43%	12.25%

* 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, 2022.

2020	2019	2018	2017	2016	2015
0.0171494%	0.0136379%	0.0125487%	0.0125495%	0.0125183%	0.0110733%
\$ 398,232	\$ 155,673	\$ 185,096	\$ 197,257	\$ 253,765	\$ 145,817
\$ 616,411	\$ 487,411	\$ 396,968	\$ 374,236	\$ 424,431	\$ 328,139
64.60%	31.94%	46.63%	52.71%	59.79%	44.44%
88.22%	93.79%	91.69%	90.68%	87.26%	91.38%

2020	2019	2018	2017	2016	2015
\$ 75,526	\$ 57,443	\$ 46,167	\$ 43,502	\$ 37,212	\$ 36,221
75,526	57,443	46,167	43,502	42,013	35,572
\$ -	\$ -	\$ -	\$ -	\$ (4,801)	\$ 649
\$ 616,411	\$ 487,411	\$ 396,968	\$ 374,236	\$ 424,431	\$ 328,139
12.25%	11.79%	11.63%	11.62%	8.77%	11.04%

FINANCIAL 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**

Independent Auditor's Report

Board of Commissioners
Worley Fire Protection District
Worley, ID 83876

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 Worley Fire Protection District as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise Worley Fire Protection District's basic financial statements, and have issued our report thereon dated June 7, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Worley Fire Protection District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Worley Fire Protection District's internal control. Accordingly, we do not express an opinion on the effectiveness of Worley 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control that we consider to be material weaknesses, as described below.

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 (CONTINUED)

Report on Compliance and Other Matters

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

2022—001 INTERNAL CONTROLS OVER FINANCIAL REPORTING

Criteria: There is an expectation that the financial statements should be materially accurate when an auditor begins their final fieldwork on the audit after year-end. Minor adjustments are expected but overall the balances should materially reflect the financial position of the entity.

Condition: Throughout our fieldwork multiple adjusting journal entries were created to record prior year activity in order to confirm beginning balances. Additionally, adjusting journal entries were created in order to tie out supporting documentation that was provided. There was significant turnover throughout the fiscal year, specifically in the Clerk position which a lot of the journal entries stemmed from.

Context: We observed inadequate controls over financial reporting by reviewing the financial records, requesting support for items surrounding cutoff dates.

Effect or Potential Effect: The financial records were misstated when the auditor began fieldwork.

Recommendation: We recommend that the District establish an effective system of internal controls over financial reporting. An effective system of internal control over financial reporting ensures the accuracy and reliability of the District's accounting records, which includes management's ability to have year-end accounting and audit documentation prepared in a more accurate manner. This will also help a smoother transition when there is turnover.

Response: We understand entries were incorrectly entered or missed due to the turnover of the Clerical position last fiscal year at the District. I can assure you that moving forward, standard operating procedures have been established to ensure internal control over financials. The Chief and Clerk have procedures in play reviewing all financial statements as they are received, as well as consistently monitoring all purchases and standings according to the approved budget. In addition, a step-by-step manual for the Clerk position has been created as a part of our standard operating procedures to guarantee accurate accounting records.

Worley Fire Protection District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described previously. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Magnuson, McHugh & Company, P.A.

Magnuson, McHugh & Company, P.A.

June 7, 2023