

ROCK CREEK RURAL FIRE PROTECTION DISTRICT
KIMBERLY, IDAHO
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Chairman and Board of Commissioners
Rock Creek Rural Fire Protection District
Kimberly, Idaho 83341

December 18, 2017

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rock Creek Rural Fire Protection District as of and for the year ended September 30, 2017, 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

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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Rock Creek Rural Fire Protection District, as of September 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the 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. My 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, schedule of employer's share of net pension liability, and schedule of employer's contribution on pages 31 through 36 be 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated December 18, 2017, on our consideration of the Rock Creek Rural Fire Protection District's internal control over financial reporting and on my 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 in considering Rock Creek Rural Fire Protection District's internal control over financial reporting and compliance

Sincerely,

R. Michael Burr

R. Michael Burr
Certified Public Accountant

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ROCK CREEK RURAL FIRE PROTECTION DISTRICT
KIMBERLY, IDAHO
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

		<u>Governmental Activities</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 566,529	
Accounts Receivable	44,022	
Property Taxes Receivable	5,633	
Inventory	<u>302,720</u>	
 <u>TOTAL CURRENT ASSETS</u>		 \$ 918,904
 <u>NONCURRENT ASSETS</u>		
Long-Term Receivables	\$ 18,912	
Capital Assets (non-depreciated)	284,702	
Capital Assets (net)	<u>2,385,478</u>	
 <u>TOTAL NONCURRENT ASSETS</u>		 <u>2,689,092</u>
 <u>TOTAL ASSETS</u>		 <u>3,607,996</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pension Obligations	<u>\$ 37,741</u>	
 <u>TOTAL DEFERRED OUTFLOWS OF RESOURCES</u>		 <u>37,741</u>
 <u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 11,106	
Payroll Accrual	33,410	
Payroll Withholding Payable	5,955	
Interest Payable	2,800	
Current Portion of Long-term Debt	<u>97,423</u>	
 <u>TOTAL CURRENT LIABILITIES</u>		 150,694
 <u>NONCURRENT LIABILITIES</u>		
Net Pension Liability	\$ 152,841	
Compensated Absences	11,430	
Long-term Debt (Net of current portion)	<u>855,475</u>	
 <u>TOTAL NONCURRENT LIABILITIES</u>		 <u>1,019,746</u>
 <u>TOTAL LIABILITIES</u>		 <u>1,170,440</u>

See accompanying notes to the basic financial statements

	<u>Governmental Activities</u>	
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Pension Sources	<u>\$ 22,927</u>	
<u>TOTAL DEFERRED INFLOWS OF RESOURCES</u>		<u>22,927</u>
 <u>NET POSITION</u>		
Invested in Capital Assets	\$ 1,717,282	
Unrestricted	<u>735,088</u>	
<u>TOTAL NET POSITION</u>		<u><u>\$ 2,452,370</u></u>

ROCK CREEK RURAL FIRE PROTECTION DISTRICT
KIMBERLY, IDAHO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

<u>Primary Government Functions/Programs</u>	<u>Program Revenues</u>			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:				
General Expense	\$ 358,183	\$ 88,574		
Fire Protection	507,972		\$ 18,408	
Quick Response	9,400		13,529	
Debt Service - Interest	48,030			
<u>Total Governmental Activities</u>	<u>923,585</u>	<u>88,574</u>	<u>31,937</u>	<u>\$ 0</u>
 <u>Business-Type Activities</u>				
None				
<u>Total Business-Type Activities</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Total Primary Government</u>	<u>\$ 923,585</u>	<u>\$ 88,574</u>	<u>\$ 31,937</u>	<u>\$ 0</u>

General Revenue

Property Taxes
Property Tax Replacement
Inventory Phaseout Tax
Other Revenue
Investment Earnings

Total General Revenue

Changes in Net Position

Net Position - Beginning

Net Position - Ending

See accompanying notes to the basic financial statements

Net (Expense) Revenue and
Changes in Net Assets

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (269,609)		\$ (269,609)
(489,564)		(489,564)
4,129		4,129
(48,030)		(48,030)
(803,074)		(803,074)
0	\$ 0	0
(803,074)	0	(803,074)
744,446		744,446
27,520		27,520
36,535		36,535
47,719		47,719
1,781		1,781
858,001	0	858,001
54,927	0	54,927
2,397,443	0	2,397,443
\$ 2,452,370	\$ 0	\$ 2,452,370

ROCK CREEK RURAL FIRE PROTECTION DISTRICT
KIMBERLY, IDAHO
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 566,529
Accounts Receivable	44,022
Property Taxes Receivable	<u>24,545</u>
 <u>TOTAL ASSETS</u>	 <u>\$ 635,096</u>
 <u>LIABILITIES</u>	
Accounts Payable	\$ 11,106
Salaries Payable	33,410
Payroll Withholding Payable	<u>5,955</u>
 <u>TOTAL LIABILITIES</u>	 <u>50,471</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Inflows from Property Taxes	<u>18,912</u>
 <u>TOTAL DEFERRED INFLOWS OF RESOURCES</u>	 <u>18,912</u>
 <u>FUND BALANCES</u>	
Committed - Capital Purchases	369,719
Unassigned	<u>195,994</u>
 <u>TOTAL FUND BALANCES</u>	 <u>565,713</u>
 <u>TOTAL LIABILITIES AND FUND BALANCES</u>	 <u>\$ 635,096</u>

See accompanying notes to the basic financial statements

ROCK CREEK RURAL FIRE PROTECTION DISTRICT
KIMBERLY, IDAHO
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	<u>General</u> <u>Fund</u>	
<u>REVENUES</u>		
Property Taxes	\$ 746,329	
Inventory Phaseout Tax	36,535	
Property Tax Replacement	27,520	
Grants and Donations	18,408	
BLM Payments	12,999	
Quick Response Revenue	13,529	
Other Revenue	<u>123,294</u>	
 <u>Total Revenue</u>		 \$ 978,614
 <u>EXPENDITURES</u>		
General and Administrative	\$ 268,648	
Fire Protection	444,378	
Quick Response	4,900	
Capital Outlay	127,943	
Debt Service - Principal	92,861	
Debt Service - Interest	<u>48,303</u>	
 <u>Total Expenditures</u>		 <u>987,033</u>
 <u>Excess Revenue Over (Under) Expenditures</u>		 (8,419)
 <u>OTHER FINANCING SOURCES (USES)</u>		
Investment Revenue	\$ <u>1,781</u>	
 <u>Total Other Financing Sources (Uses)</u>		 <u>1,781</u>
 <u>Excess Revenue and Other Financing Sources</u> <u>Over (Under) Expenditures</u>		 (6,638)
 <u>FUND BALANCE - BEGINNING</u>		 <u>572,351</u>
 <u>FUND BALANCE - ENDING</u>		 <u><u>\$ 565,713</u></u>

See accompanying notes to the basic financial statements

ROCK CREEK RURAL FIRE PROTECTION DISTRICT
KIMBERLY, IDAHO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2017

<u>Total Governmental Fund Balances</u>		\$ 565,713
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Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund balances, \$284,702 of non-depreciated assets, \$3,802,114 net of accumulated depreciation of \$1,416,636.		\$ 2,670,180
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		18,912
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Supplies purchased are reported as expenditures for fund reporting but are expensed as used for government-wide statements.		302,720
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Amounts resulting from pension liabilities as a result of GASB 68 are not recorded in the fund statements:		
-Deferred Outflows Pension Obligations	37,741	
-Deferred Inflows Pension Sources	(22,927)	
-Net Pension Liability	(152,841)	

Interest is recorded when paid for funds but is reported when payable in the current period for government wide statements.		(2,800)
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Long-term liabilities, including bonds payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
- Compensated Absences	(11,430)	
- Capital Leases	(952,898)	

<u>Net Changes</u>		1,886,657
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<u>Net Position of Governmental Activities</u>		\$ 2,452,370
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See accompanying notes to the basic financial statements

ROCK CREEK RURAL FIRE PROTECTION DISTRICT
KIMBERLY, IDAHO
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Net Change in Fund Balances - Governmental Fund Balances \$ (6,638)

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

- Depreciation	\$ (159,070)
- Capital Expenditures	84,100

Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of Net Assets.	92,861
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(1,883)
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Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(11,430)
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Changes in net pension liability and related pension source deferred outflow and deferred inflow of resources do not provide or require current financial resources and therefore are not reflected in the funds.	23,690
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Supplies are expended in fund accounting when purchased but are expensed in the Statement of Activities when actually used.	33,024
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In the Statement of Activities, interest is accrued on outstand bonds, whereas in governmental funds, an interest expenditure is reported when due.	<u>273</u>
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<u>Net Changes</u>	<u>61,565</u>
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<u>Change in Net Position of Governmental Activities</u>	<u><u>\$ 54,927</u></u>
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See accompanying notes to the basic financial statements

**NOTES TO BASIC
FINANCIAL STATEMENTS**

ROCK CREEK RURAL FIRE PROTECTION DISTRICT
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of Rock Creek Rural Fire Protection District are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the District's financial activities for the year ended September 30, 2017.

The District provides fire protection in the rural areas of the eastern portion of Twin Falls County and western portion of Cassia County. The District is governed by an elected Board of Commissioners which possesses final decision making authority and is held primarily accountable for those decisions. The Board is responsible for approving the budget, establishing spending limitations, funding any deficits, and borrowing funds and/or issuing bonds to finance District operations and construction. All operations controlled by the Board are included within these financial statements.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

B - REPORTING ENTITY

These financial statements present the District (the primary government) and any component units of the District. As defined by GASB No. 14, component units are legally separate entities that are included in the District's reporting entity because of the significance of their operating or financial relationships with the District. Based on this definition, the District has no component units.

The District was established December 15, 1992 under voter approval and governor appointment of the original Board of Commissioners. Title 31 Chapter 14 of Idaho statutes dictates the laws that the District must operate under. The District is governed by an elected Board of Commissioners.

C - BASIC FINANCIAL STATEMENTS - GOVERNMENT-WIDE STATEMENTS

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The District's federal grants, state grants, debt service, capital projects, plant facilities, and general administrative services are classified as governmental activities. The District has no services classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Neither fiduciary funds nor component units that are fiduciary in nature are included in the Statement of Net Positions.

ROCK CREEK RURAL FIRE PROTECTION DISTRICT
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities. The functions are also supported by general government revenues (local revenue, education foundation support, grants, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (instruction, support, administrative, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc.).

The District does not allocate indirect costs. All interfund activity has been eliminated.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

D - BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. *GASBS No. 34* sets forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The District can electively add funds, as major funds, which had a specific community focus. The nonmajor funds are combined in a column in the fund financial statements. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

GOVERNMENTAL FUNDS

General Fund - The General Fund is the primary operating fund of the District and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

ROCK CREEK RURAL FIRE PROTECTION DISTRICT
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Revenue Funds - Special revenue funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects

Capital Project Funds - The Capital Project Fund is used to account for resources restricted, committed or assigned for the acquisition or construction of specific capital projects or items. The reporting entity includes only one Capital Project Fund and it is used to account for the acquisition of capital assets with transfers made from the General Fund.

Debt Service Fund - The Debt Service Fund accounts for all financial resources restricted, committed or assigned for the payment of interest and principle on the general long-term debt of the District. Ad valorem taxes are used for the payment of principal and interest on the District's judgment.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The District has no enterprise funds.

FIDUCIARY FUNDS (Not included in government-wide statements)

Agency Funds - Agency funds account for assets held by the District in a purely custodial capacity. The reporting entity includes one agency fund. Since agency funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The District has no agency funds.

E - MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item 2. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

1. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

ROCK CREEK RURAL FIRE PROTECTION DISTRICT
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

3. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual - Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Property taxes are reported in the period for which levied. Other nonexchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

1. Modified Accrual - The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or within 60 days after year end. Property tax revenues are recognized in the period for which levied provided they are also available. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are recognized when the related liability is incurred. Exceptions to this general rule include principal and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

F - ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Position, “cash and cash equivalents” includes all demand, savings accounts, and certificates of deposits of the District.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 2.

ROCK CREEK RURAL FIRE PROTECTION DISTRICT
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods/services type transactions are classified as "due to/from other funds." Short-term interfund loans are reported as "interfund receivable/payable ." Long-term interfund loans (noncurrent portion) are reported as "advances to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. All interfund activity has been eliminated in the government-wide statement of activity.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectable accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include property taxes, grants, and State foundation funding. Business-type activities report utilities and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Allowances for uncollectable accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

In the government-wide statements, materials, supplies and food commodities are carried in an inventory account at the lower of cost or market and are subsequently charged to expenditures when consumed. Inventories also include plant maintenance, operating, and instructional supplies. In the fund financial statements, inventory items are recorded as expenditures when purchased.

Restricted Assets

Restricted assets include cash and investments that are legally restricted as to their use. The primary restricted assets are related to bond proceeds to be used for a capital construction project of the District and to state and federal grants. For expenditures that apply to both restricted and unrestricted resources, the District uses restricted funds first.

Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts and can represent a reservation of fund balances in the governmental fund financial statements. The District does not use encumbrance accounting. Therefore, there is no reservation of fund balance.

ROCK CREEK RURAL FIRE PROTECTION DISTRICT
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources

Deferred outflows of resources are decreases in net assets that relate to future periods and are reported in a separate section of its government-wide and governmental funds financial statements. Deferred outflows of resources from pension obligations affect the government-wide statements and no deferred outflows effect the governmental funds financial statements in the current year.

Deferred Inflows of Resources

Deferred inflows of resources reflects an increase in net assets that applies to a future period(s) and is because the District will not recognize the related revenues until a future event occurs. The District's governmental funds report a separate section for deferred inflows of resources and has only one type of item which occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, deferred property taxes are reported in the governmental funds balance sheet. The deferred outflows of resources reported in its government-wide financial statements is a deferred amount arising from pension sources.

Capital Assets

The accounting treatment over capital assets (property, plant, and equipment) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. For fund financial statements, the District has maintained a \$500 limit before an item is recorded as a capital expenditure. The limits for the government-wide statements vary and are shown below.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2003.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets are not required to be valued and reported on the District's financial statements and the District has not elected to report them. Therefore, the value of any infrastructure assets purchased prior to July 1, 2003, are not included in these statements.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation based on its capitalization amount. The range of estimated useful lives and capitalization limits by type of asset are as follows:

ROCK CREEK RURAL FIRE PROTECTION DISTRICT
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

<u>Description</u>	<u>Life</u>	<u>Capitalization Amount</u>
Aggregate Cost of Library Books	3	\$5,000
Automobiles	5 - 15	\$5,000
Office and Light-weight Equipment	5 - 15	\$5,000
Heavy Equipment	7 - 20	\$10,000
Buildings and Improvements	40	\$15,000
Infrastructure	50	\$50,000

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Liability for Compensated Absences

Annual vacation leave is accumulated from the first day of employment. Employees shall be entitled to annual vacation leave with pay after successfully completing probationary requirements.

Employees may carry over from one year to the next the total annual hours of vacation time allowed per years of service. If on January 1st of the following year, an employee is over the allowed hours, the amount of hours over is forfeited and not subject to appeal, unless unusual or unforeseen events prohibit the use of the vacation time

12 hour Day-shift (48 hour per week) personnel shall accrue sick leave at a rate of twelve (12) hours per month, to a maximum of two thousand one hundred and sixty (2160) hours. On the date of hire, new employees are advanced thirty six (36) hours of sick leave in their sick leave account. Additional leave is not accrued until the sixth (6th) month of employment. Upon service or duty disability or retirement, employees shall receive compensation for accrued sick leave hours. Employees will be paid twenty-five (25%) of any remaining accrued sick leave.

Due to the above policies, a liability for compensated absences is created for the unused sick leave portion of leave time.

Long-Term Debt

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight line method. Bond premiums are reported in the deferred inflows of resources section in the statement of net position. Bonds payable are reported net of the applicable bond premium of discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts and bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

ROCK CREEK RURAL FIRE PROTECTION DISTRICT
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The District also contributes 6.2% of qualifying wages to those employees PERSI Choice plan.

Budget

The Board of Commissioners adopts a budget on a basis consistent with the GAAP with minor changes for most funds. The District is required to present the adopted and final amended budget of the general fund and all other funds shown as major funds in the fund financial statements. These items are presented in the required supplementary information section following the notes to the financial statements.

The following procedures are followed in establishing the budget for the District:

1. At least 28 days prior to its annual meeting, the board of commissioners shall have prepared a budget in a form prescribed by the State of Idaho, and shall have notified the public of the budget hearing.
2. At the public hearing or a special meeting held no later than 14 days after the public hearing, the board of commissioners shall adopt a budget for the ensuing year.
3. The board of commissioners shall publish a summary statement of the budget in the local newspaper.
4. The District may amend the budget any time during the year but the above procedures must be followed each time a budget amendment is made.

Equity Classifications (Net Position and Fund Balance)

Government-wide Financial Statements

When the District incurs an expense for which it may use either restricted or unrestricted net position, it uses restricted net position first unless unrestricted net position will have to be returned because they were not used. Net position on the Statement of Net Position include the following:

Investment in Capital Assets, Net of Related Debt - The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

ROCK CREEK RURAL FIRE PROTECTION DISTRICT
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted net position—Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position—All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned.

Nonspendable Fund Balance - Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance - Includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.

Committed Fund Balance - Includes amounts that can be used only for the specific purposes determined by a formal action of the District’s highest level of decision making authority, the Board of Commissioners. Formal action is done by making and approving a motion of the Board.

Assigned Fund Balance - Includes amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. The Board has not delegated authority to assign amounts to be used for specific purposes. If such assignments were allowed, they could not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

Unassigned Fund Balance - Includes the residual classification for the District’s general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Use of Estimates

The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

ROCK CREEK RURAL FIRE PROTECTION DISTRICT
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

2 - CASH AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of Idaho Code Section 67-1210. Under Idaho Code, the District, at its own discretion, may invest funds in time deposits and certificates of deposits provided by the depository bank at interest rates approximating United States treasury bill rates.

The classifications of risk associated with cash and investments are concentration of credit risk, interest rate risk, credit risk, and custodial credit risk. These are defined as:

Concentration of Credit Risk - The risk of loss attributed to the magnitude of a government's investment in a single issuer.

Interest Rate Risk - The exposure to an unfavorable change in interest rates.

Credit Risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Custodial Credit Risk - The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

The District does not have formal investment policies to limit the concentration of credit risk or the interest rate risk.

At September 30, 2017, the District had a carrying value of cash deposits of \$566,529 and a bank balance of \$596,212. Based on the above definitions, the District has \$314,838 subject to concentration of credit risk.

NOTE 3 - TAXES RECEIVABLE AND DEFERRED TAX REVENUES

The District's property tax is levied each October on the value listed as of the prior January 1 for all property located in the District. A revaluation of all property is required to be completed no less than every five years. The net taxable market value for the list of January 1, 2016, upon which the 2016 levy was based was \$639,816,703.

The tax rates assessed, per \$100 of valuation, for the year ended September 30, 2017, and maximum levy rates limited by Idaho Code Section 33-802 are as follows:

<u>Type</u>	<u>Rate</u>	<u>Maximum Rate</u>
General	0.1146	0.2400
Tort	0.0013	No Limit

ROCK CREEK RURAL FIRE PROTECTION DISTRICT
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 3 - TAXES RECEIVABLE AND DEFERRED TAX REVENUES (Continued)

At September 30, 2017, the components of taxes receivable are as follows:

Property Tax year	General Fund
2016	\$ 15,140
2015	6,474
2014	2,931
<u>Total</u>	\$ 24,545

For fund financial statements, the recognition of revenue on taxes receivable shall not exceed 60 days collection after the September 30, 2017, year end. The collections for the 60 day period have been estimated based on prior years collection percentages. Property taxes uncollected by November 30, 2017, are deferred inflows of resources. The components of deferred inflows of resources for property taxes are as follows:

Fund	Amount
General Fund	\$ 18,912

For government-wide statements, an allowance for uncollectable taxes is calculated. However, historical information shows that the uncollectable amount is immaterial to these statements and no allowance will be recorded until it becomes a material amount. Also, the above deferred amounts are not included in the government-wide statements.

NOTE 4 - 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 and natural disasters for which the District carries commercial insurance. There have been no reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The District controls risk of loss by having adequate insurance coverage. The type and coverage amount is listed below:

Workers Compensation Insurance	Limited by State Law
General Liability	\$ 10,000,000
Auto	1,000,000
Errors and Omissions	500,000
Real and Personal Property	1,978,113

The District believes that the above coverage is proper to protect the District from any losses.

NOTE 5 - CONTINGENCIES

The District is not aware of any pending or threatened litigation which would adversely affect the District. The reports on internal accounting controls and compliance elements are contained on pages 37 to 39. This audit found no elements of non-compliance with the terms and conditions of the individual programs audited.

ROCK CREEK RURAL FIRE PROTECTION DISTRICT
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6 - RETIREMENT PLAN

Plan Description

The 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.

Employee membership data related to the PERSI Base Plan, as of June 30, 2017 was as follows:

Retirees and beneficiaries currently receiving benefits	45,468
Terminated employees entitled to but not yet receiving benefits	12,669
Active plan members	<u>70,076</u>
 Total	 <u><u>128,213</u></u>

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.

ROCK CREEK RURAL FIRE PROTECTION DISTRICT
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6 - RETIREMENT PLAN (Continued)

The contribution rates for employees are set by stature at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2017 it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% general employees and 11.66% for police and firefighters. The District's employer contributions required and paid were \$45,531, \$32,272, and \$34,767 for the three years ended September 30, 2017, 2016, and 2015. respectively.

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

At September 30, 2017, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2017, 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, 2017, the District's proportion was .0097238 percent.

For the year ended September 30, 2017, the District recognized pension expense (revenue) of \$36,993. At September 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 21,174	\$ 13,770
Changes in assumptions or other inputs	2,826	
Net difference between projected and actual earnings on pension plan investments		9,157
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	-	-
District contributions subsequent to the measurement date	13,741	
Total	<u>\$ 37,741</u>	<u>\$ 22,927</u>

\$13,741 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, 2017.

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, 2016 the beginning of the measurement period ended June 30, 2017 is 4.9 and 5.5 for the measurement period June 30, 2016.

ROCK CREEK RURAL FIRE PROTECTION DISTRICT
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6 - RETIREMENT 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		
<u>June 30,</u>		
2018	\$	(8,309)
2019	\$	14,360
2020	\$	4,074
2021	\$	(9,052)

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 July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.5 – 10.25%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expenses
Cost-of-living adjustments	1%

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 in 2012 for the period July 1, 2007 through June 30, 2011 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, 2017 is based on the results of an actuarial valuation date of July 1, 2017.

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.

ROCK CREEK RURAL FIRE PROTECTION DISTRICT
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6 - RETIREMENT PLAN (Continued)

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 commissioners 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, 2014.

Capital Market Assumptions

Asset Class -	Expected Return	Expected Risk	Strategic Normal	Strategic Ranges
Equities			70.00%	66% - 77%
Broad Domestic Equity	9.15%	19.00%	55.00%	50% - 65%
International	9.25%	20.20%	15.00%	10% - 20%
Fixed Income	3.05%	3.75%	30.00%	23% - 33%
Cash	2.25%	0.90%	0.00%	0% - 5%
Total Fund- Actuary Portfolio	<u>Expected Return</u> 7.00% 6.58%	<u>Expected Inflation</u> 3.25% 2.25%	<u>Expected Real Return</u> 3.75% 4.33%	<u>Strategic Ranges</u> N/A 12.67%

Actuarial Assumptions -

Assumed Inflation - Mean	3.25%
Assumed Inflation - Standard Deviation	2.00%
Portfolio Arithmetic Mean Return	8.08%
Portfolio Standard Deviation	12.59%
Portfolio Long-Term Expected Rate of Return	7.50%
Assumed Investment Expenses	<u>0.40%</u>
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses	<u><u>7.10%</u></u>

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. 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.

ROCK CREEK RURAL FIRE PROTECTION DISTRICT
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6 - RETIREMENT PLAN (Continued)

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 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 (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability (asset)	\$ 355,235	\$ 152,841	\$ (15,353)

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.

At September 30, 2017, the District reported payables to the defined benefit pension plan of \$0 for legally required employer contributions and \$0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

NOTE 7 - CAPITAL ASSET ACTIVITY

Depreciation expense was charged to governmental functions as follows:

General Expense	\$ 57,952
Fire Protection	96,618
Quick Response	4,500
Total	\$ 159,070

As of September 30, 2017, there was a gross amount of \$1,693,505 of buildings recorded from purchases under capital leases. There are no sub-leases or contingent rentals actually incurred or remaining from these assets. Total accumulated depreciation on the building is \$296,366.

ROCK CREEK RURAL FIRE PROTECTION DISTRICT
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 7 - CAPITAL ASSET ACTIVITY (Continued)

Capital asset activity for the District for the year ended September 30, 2017, was as follows:

	<u>Primary Government - Governmental Activities</u>			<u>Ending Balance</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	
Non-depreciated assets:				
Land	\$ 284,702			\$ 284,702
Construction-in-progress	0			0
Subtotal	<u>284,702</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>284,702</u>
Other capital assets:				
Buildings and Improvements	2,077,981			2,077,981
Automobiles	84,573	56,315	13,255	127,633
Heavy Equipment	1,508,493	31,500		1,539,993
Other Equipment	50,503	6,004		56,507
Subtotal	<u>3,721,550</u>	<u>93,819</u>	<u>13,255</u>	<u>3,802,114</u>
Less accumulated depreciation for:				
Buildings and Improvements	(273,420)	(51,950)		(325,370)
Automobiles	(34,226)	(15,278)	(3,536)	(45,968)
Heavy Equipment	(920,140)	(89,380)		(1,009,520)
Other Equipment	(33,316)	(2,462)		(35,778)
Subtotal	<u>(1,261,102)</u>	<u>(159,070)</u>	<u>(3,536)</u>	<u>(1,416,636)</u>
Net Depreciated Assets	<u>2,460,448</u>	<u>(65,251)</u>	<u>9,719</u>	<u>2,385,478</u>
Net Capital Assets	<u>\$ 2,745,150</u>	<u>\$ (65,251)</u>	<u>\$ 9,719</u>	<u>\$ 2,670,180</u>

NOTE 8 - DEBT

The following is a summary of the District's long-term debt obligations and transactions for the year ended September 30, 2017:

	<u>Outstanding Amount Beginning</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding Amount Ending</u>
Compensated Absences	\$ 0	\$ 12,445	\$ 1,015	\$ 11,430
Capital Lease, 15 Year, 4.875%	1,045,759		92,861	952,898
Total	<u>\$ 1,045,759</u>	<u>\$ 0</u>	<u>\$ 92,861</u>	<u>\$ 952,898</u>

ROCK CREEK RURAL FIRE PROTECTION DISTRICT
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 8 - DEBT (Continued)

The annual requirements to amortize the bond issue as of June 30, 2017, is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 97,423	\$ 43,741	\$ 141,164
2019	102,280	38,884	141,164
2020	107,353	33,811	141,164
2021	112,752	28,412	141,164
2022	118,352	22,812	141,164
2023	124,253	16,911	141,164
2024	130,436	10,728	141,164
2025	136,954	4,210	141,164
2026	23,095	432	23,527
<u>Total</u>	<u>\$ 952,898</u>	<u>\$ 199,941</u>	<u>\$ 1,152,839</u>

NOTE 9 - RESTRICTED ASSETS ENABLING LEGISLATION

Legislation passed by the District placing restrictions on assets is referred to as enabling legislation. These restrictions are legally enforceable which allows external parties to force the District to follow their own restrictions. None of the District's restricted assets meet this criteria.

The Board has committed \$369,719 for capital purchases. This meets the requirements of a committed fund balance as described in these notes.

**REQUIRED SUPPLEMENTAL
INFORMATION SECTION**

ROCK CREEK RURAL FIRE PROTECTION DISTRICT
KIMBERLY, IDAHO
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note 1)</u>	<u>Variance With Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Budgetary Fund Balance - Beginning</u>	<u>\$ 332,421</u>	<u>\$ 332,421</u>	<u>\$ 572,351</u>	<u>\$ 239,930</u>
<u>Resources (Inflows)</u>				
Property Taxes	740,986	740,986	746,329	5,343
Inventory Phaseout Tax	0	0	36,535	36,535
Property Tax Replacement	27,520	27,520	27,520	0
Grants & Donations	0	3,500	18,408	14,908
BLM Payments	0	0	12,999	12,999
Investment Revenue	0	0	1,781	1,781
Quick Response Revenue	3,000	3,000	13,529	10,529
Other Revenue	21,000	42,399	123,294	80,895
<u>Total Revenue</u>	<u>792,506</u>	<u>817,405</u>	<u>980,395</u>	<u>162,990</u>
<u>Amount Available for Appropriations</u>	<u>1,124,927</u>	<u>1,149,826</u>	<u>1,552,746</u>	<u>402,920</u>
<u>Charges to Appropriations (Outflows)</u>				
<u>General Expense</u>				
Salaries	15,000	15,000	14,722	278
Commissioners' Salary	3,600	3,600	3,600	0
Benefits	0	0	103,026	(103,026)
Payroll Taxes	30,000	30,000	15,830	14,170
Contract Labor	0	0	1,303	(1,303)
Insurance	110,000	110,000	39,118	70,882
Publications	400	400	3,164	(2,764)
Utilities	20,000	20,000	19,761	239
Professional Fees	7,550	7,550	4,482	3,068
Office Supplies/Expenses	7,500	7,500	17,387	(9,887)
Dues	1,100	1,100	1,280	(180)
Public Safety	3,159	3,159	2,159	1,000
Repairs	18,000	18,000	27,929	(9,929)
Fuel	18,000	18,000	14,887	3,113
Debt Service - Principal	92,860	92,860	92,861	(1)
Debt Service - Interest	48,303	48,303	48,303	0
<u>Total General Expenses</u>	<u>375,472</u>	<u>375,472</u>	<u>409,812</u>	<u>(34,340)</u>

Continued

ROCK CREEK RURAL FIRE PROTECTION DISTRICT
KIMBERLY, IDAHO
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note 1)</u>	<u>Variance With Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Fire Protection</u>				
Firemen	\$ 361,242	\$ 361,242	\$ 403,229	\$ (41,987)
Fireman Training	11,000	11,000	15,535	(4,535)
Supplies	15,000	15,000	25,614	(10,614)
Capital Outlay	102,556	102,556	127,943	(25,387)
<u>Total Fire Protection</u>	<u>489,798</u>	<u>489,798</u>	<u>572,321</u>	<u>(82,523)</u>
<u>Quick Response</u>				
Salaries	0	0	60	(60)
Supplies	3,500	7,000	3,141	3,859
Fuel	0	0	1,421	(1,421)
Repairs	0	0	278	(278)
<u>Total Quick Response</u>	<u>3,500</u>	<u>7,000</u>	<u>4,900</u>	<u>2,100</u>
<u>Total Charges to Appropriations</u>	<u>868,770</u>	<u>872,270</u>	<u>987,033</u>	<u>(114,763)</u>
<u>Ending Budgetary Fund Balance</u>	<u>\$ 256,157</u>	<u>\$ 277,556</u>	<u>\$ 565,713</u>	<u>\$ 288,157</u>

ROCK CREEK RURAL FIRE PROTECTION DISTRICT
KIMBERLY, IDAHO
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
PERSI - BASE PLAN
LAST 10 FISCAL YEARS *

Year Ended June 30,	Employer's portion of net pension liability	Employer's proportionate share of the net pension liability	Employer's covered- employee payroll	Employer's proportional share of the net pension liability as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.0097238%	\$ 152,841	\$ 340,284	44.92%	90.68%
2016	0.0103946%	\$ 210,715	\$ 276,775	76.13%	87.26%
2015	0.0101927%	\$ 134,221	\$ 298,752	44.93%	91.38%
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*
2010	*	*	*	*	*
2009	*	*	*	*	*
2008	*	*	*	*	*

Data reported is measured as of June 30, 2017

ROCK CREEK RURAL FIRE PROTECTION DISTRICT
KIMBERLY, IDAHO
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PERSI - BASE PLAN
LAST 10 FISCAL YEARS *

Year Ended June 30,	Statutorily required	Contributions in relation to the statutorily required contribution	Contribution (deficiency) excess	Employer's covered- employee payroll	Contributions as a percentage of covered- employee payroll
2017	\$ 39,556	\$ 39,556	\$ -	\$ 342,284	11.56%
2016	\$ 32,272	\$ 32,272	\$ -	\$ 276,775	11.66%
2015	\$ 34,767	\$ 34,767	\$ -	\$ 298,752	11.64%
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*
2010	*	*	*	*	*
2009	*	*	*	*	*
2008	*	*	*	*	*

Data reported is measured as of September 30, 2017

* 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.

ROCK CREEK RURAL FIRE PROTECTION DISTRICT
KIMBERLY, IDAHO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2017

NOTE 1 - RECONCILIATION OF BUDGET TO GAAP

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with accounting principles generally accepted in the United States of America follows:

	<u>General Fund</u>
<u>Sources/Inflows of Resources</u>	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,552,746
<u>Differences - Budget to GAAP</u>	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(572,351)
Investment revenue is not included in revenues but rather shown as an other financing source	<u>(1,781)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 978,614</u>
<u>Uses/Outflows of Resources</u>	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	<u>\$ 987,033</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 987,033</u>

ROCK CREEK RURAL FIRE PROTECTION DISTRICT
KIMBERLY, IDAHO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2017

NOTE 2 - BUDGET PROCESS

The board of commissioners adopts a budget on a basis consistent with the GAAP. The District is required to present the adopted and final amended budget of the general fund and all other funds shown as major funds in the fund financial statements. These items are presented in the required supplementary information section following the notes to the financial statements.

The following procedures are followed in establishing the budget for the District:

- 1) At least 28 days prior to its annual meeting, the board of commissioners shall have prepared a budget in a form prescribed by the state, and shall have notified the public of the budget hearing.
- 2) At the public hearing or a special meeting held no later than 14 days after the public hearing, the board of commissioners shall adopt a budget for the ensuing year.
- 3) The board of commissioners shall publish a summary statement of the budget in the local newspaper.
- 4) The District may amend the budget any time during the year but the above procedures must be followed each time a budget amendment is made.
- 5) The legal budget is adopted at the function level.

NOTE 3 - REQUIRED FUND DISCLOSURE

The following fund had excess actual expenditures over budgeted expenditures:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Overage</u>
General Fund	\$ 872,270	\$ 987,033	\$ 114,763

NOTE 4 - PENSION DISCLOSURES

The following information is required to be disclosed as it relates to the pension:

- Changes of benefit terms: None
- Changes in composition of the population covered by the benefit terms: None
- Changes of assumptions: Actuarial assumptions are disclosed in Note 6 of the financial statements. Since this reporting is a new requirement, the prior assumptions are not available.

R. MICHAEL BURR

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Chairman and Board of Commissioners
Rock Creek Rural Fire Protection District
Kimberly, Idaho 83341

December 18, 2017

I have audited, in accordance with the 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, each major fund, and the aggregate remaining fund information of Rock Creek Rural Fire Protection District, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise Rock Creek Rural Fire Protection District's basic financial statements and have issued my report thereon dated December 18, 2017.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Rock Creek Rural 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rock Creek Rural Fire Protection District's internal control. Accordingly, I do not express an opinion on the effectiveness of Rock Creek Rural 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.

My 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that I consider to be significant deficiencies, 2017-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rock Creek Rural Fire Protection District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses, 2017-002.

Rock Creek Rural Fire Protection District's Response to Findings

Rock Creek Rural Fire Protection District's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. Rock Creek Rural Fire Protection District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

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.

Sincerely,

R. Michael Burr

R. Michael Burr
Certified Public Accountant

ROCK CREEK RURAL FIRE PROTECTION DISTRICT
KIMBERLY, IDAHO
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2017

FINDING 2017-001: Lack of Segregation of Duties

Condition: Only one person is employed by the District in the accounting department which does not allow for a strict segregation of duties.

Criteria: Segregation of duties is an internal control that should be in place to provide reasonable assurance that one person does not have complete control over the entire accounting system.

Cause: There are not enough personnel hired to segregate the accounting functions.

Effect: May allow for misstatement of general purpose financial statements and misuse of assets.

Recommendation: Hire additional staff to provide a proper segregation of duties.

Views of Responsible Officials and Planned Corrective Actions: We concur with the recommendation. However, due to a lack of financial resources to pay for the additional staff and other controls currently in place, no action will be taken at this point.

FINDING 2017-002: Employees with no Social Security or Medicare Withholding

Condition: Two employees were set up with no social security or Medicare withholding being taken from their paycheck. Wages amounted to \$2,664.39.

Criteria: All non-firemen personnel are subject to social security and Medicare tax.

Cause: Error in setup of employees in payroll program.

Effect: Understatement of payroll taxes.

Recommendation: Correct the problem currently and file amended payroll reports.

Views of Responsible Officials and Planned Corrective Actions: We concur with the recommendation.

Summary Schedule of Prior Audit Findings

FINDING 2016-001: Lack of Segregation of Duties

The District took no action.