

McCALL FIRE PROTECTION DISTRICT

Report on Audited
Basic
Financial Statements
and
Supplemental Information

For the Year Ended September 30, 2017

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Millington Zwygart

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Commissioners
McCall Fire Protection District
McCall, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of McCall Fire Protection District (the 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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of District's proportionate share of the net pension liability, and schedule of District contributions on pages 25 and 28 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. 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.

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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 28, 2017, on our consideration of McCall Fire Protection District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering McCall Fire Protection District's internal control over financial reporting and compliance.

Millington Zwyzart CPAs, PLLC

Caldwell, Idaho
December 11, 2017

McCall Fire Protection District
Statement of Net Position
September 30, 2017

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 1,354,456
Receivables:	
Property Taxes, Net	40,454
Accounts, Net	121,003
Interest	-
Prepaid Items	19,400
Payroll Advances	12,849
Capital Assets:	
Buildings and Improvements, Net	1,205,375
Equipment, Net	516,328
Total Capital Assets	1,721,703
Total Assets	3,269,865
Deferred Outflows	
Pension Related Items	146,985
Total Deferred Outflows	146,985
Liabilities	
Accounts Payable and Other Current Liabilities	232,576
Accrued Interest	2,217
Long-Term Liabilities:	
Due Within One Year:	
Compensated Absences	76,149
Bonds Payable	140,000
Due in More Than One Year:	
Bonds Payable	-
Net Pension Liability	556,067
Total Liabilities	1,007,009
Deferred Inflows	
Pension Related Items	83,413
Total Deferred Inflows	83,413
Net Position	
Invested in Capital Assets, Net of Related Debt	1,581,703
Restricted for:	
Debt Service	238,868
Unrestricted (Deficit) Surplus	505,857
Total Net Position	\$ 2,326,428

The accompanying notes are an integral
part of the financial statements.

McCall Fire Protection District
Statement of Activities
For the Year Ended September 30, 2017

	Expenses	Program Revenues			Net (Expense) Revenue and Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Public Safety and Protection	\$ 2,299,920	\$ 792,251	\$ 25,882	\$ -	\$ (1,481,787)
Interest	8,719	-	-	-	(8,719)
Total Governmental Activities	<u>\$ 2,308,639</u>	<u>\$ 792,251</u>	<u>\$ 25,882</u>	<u>\$ -</u>	<u>(1,490,506)</u>
		General Revenues and Special Items:			
					1,526,074
					47,733
					2,584
					9,450
					(1,735)
					<u>1,584,106</u>
					93,600
					<u>2,232,828</u>
					<u>\$ 2,326,428</u>

The accompanying notes are an integral part of the financial statements.

McCall Fire Protection District
 Balance Sheet -
 Governmental Funds
 September 30, 2017

	General	Debt Service	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 1,119,472	\$ 234,984	\$ 1,354,456
Property Taxes Receivable, Net	36,570	3,884	40,454
Accounts Receivable, Net	121,003	-	121,003
Interest Receivable	-	-	-
Prepaid Items	19,400	-	19,400
Payroll Advances	12,849	-	12,849
Total Assets	\$ 1,309,294	\$ 238,868	\$ 1,548,162
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$ 92,593	\$ -	\$ 92,593
Payroll and Payroll Taxes Payable	139,983	-	139,983
Total Liabilities	232,576	-	232,576
Deferred Inflows			
Unavailable Revenue - Property Taxes	32,066	3,406	35,472
Fund Balances:			
Nonspendable	32,249	-	32,249
Restricted	-	235,462	235,462
Unassigned	1,012,403	-	1,012,403
Total Fund Balances	1,044,652	235,462	1,280,114
Total Liabilities and Fund Balances	\$ 1,309,294	\$ 238,868	\$ 1,548,162

The accompanying notes are an integral
 part of the financial statements.

McCall Fire Protection District
 Reconciliation of the Balance Sheet of the
 Governmental Funds to the Statement of Net Position
 September 30, 2017

Total Fund Balances - Governmental Funds \$ 1,280,114

Amounts reported for governmental activities in the Statement of Net Position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. The cost of assets consist of:

Buildings and Improvements, net of \$629,660 accum. depreciation	\$ 1,205,375	
Equipment, net of \$871,507 accum. depreciation	516,328	
	<u>516,328</u>	1,721,703

Property taxes receivable will be collected this year, but are not available soon enough to pay for current period's expenditures and, therefore, are deferred in the funds. 35,472

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the Statement of Net Position.

Accrued Interest	\$ (2,217)	
Compensated Absences	(76,149)	
Bonds Payable	(140,000)	
	<u>(140,000)</u>	(218,366)

The District participates in the Public Employer Retirement System of Idaho, which is a cost-sharing plan. As a participant they are required to report their share of the Net Pension Liability and the related deferred inflows and outflows on their Statement of Net Position.

Net Pension Liability	\$ (556,067)	
Pension Related Deferred Inflows	(83,413)	
Pension Related Deferred Outflows	146,985	
	<u>146,985</u>	(492,495)

Net Position of Governmental Activities \$ 2,326,428

The accompanying notes are an integral
 part of the financial statements.

McCall Fire Protection District
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Governmental Funds
For the Year Ended September 30, 2017

	General	Debt Service	Total Governmental Funds
Revenues			
Property Taxes	\$ 1,378,355	\$ 146,624	\$ 1,524,979
Sales Tax	47,733	-	47,733
Charges for Services	792,251	-	792,251
Earnings on Investments	7,962	1,488	9,450
Grants	25,882	-	25,882
Miscellaneous	2,584	-	2,584
Total Revenues	<u>2,254,767</u>	<u>148,112</u>	<u>2,402,879</u>
Expenditures			
Current:			
Payroll and Taxes	1,400,404	-	1,400,404
Benefits	418,278	-	418,278
Operation and Maintenance	263,889	-	263,889
Equipment Repair and Maintenance	120,584	-	120,584
Equipment Rental	5,720	-	5,720
Debt Service:			
Principal	-	135,000	135,000
Interest	-	9,856	9,856
Fees	-	1,000	1,000
Capital Outlay	138,675	-	138,675
Total Expenditures	<u>2,347,550</u>	<u>145,856</u>	<u>2,493,406</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(92,783)</u>	<u>2,256</u>	<u>(90,527)</u>
Other Financing Sources (Uses)			
Sale of Capital Assets	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(92,783)	2,256	(90,527)
Fund Balances - Beginning	1,137,435	233,206	1,370,641
Fund Balances - Ending	<u>\$ 1,044,652</u>	<u>\$ 235,462</u>	<u>\$ 1,280,114</u>

The accompanying notes are an integral
part of the financial statements.

McCall Fire Protection District
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of the
 Governmental Funds to the Statement of Activities
 For the Year Ended September 30, 2017

Total Net Change in Fund Balance - Governmental Funds \$ (90,527)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. The cost and related accumulated depreciation, when capital assets are disposed are also not reported in the governmental funds. In the current period these amounts are:

Capital Outlay	\$ 162,700	
Depreciation Expense	(144,681)	
Cost of Disposed Capital Assets, Net of Accumulated Depreciation	<u>(1,735)</u>	
Net		16,284

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities. 1,095

Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include changes in:

Compensated Absences	7,893
Accrued Interest	2,137

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Bond Principal	135,000
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The District participates in the Public Employer Retirement System of Idaho, which is a cost-sharing plan. As a participant they are required to report their share of the Net Pension Liability and the related deferred inflows and outflows on their Statement of net Position. The changes in the Net Pension Liability and the related deferred inflows and outflows does not affect the governmental funds, but are reported in the Statement of Activities. 21,718

Change in Net Position of Governmental Activities \$ 93,600

The accompanying notes are an integral
 part of the financial statements.

McCall Fire Protection District
Notes to Financial Statements
For the Year Ended September 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying financial statements present the activities of McCall Fire Protection District (the District), which has responsibility and control over all activities related to public safety within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other government reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses 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 expenses are expenses of the general government related to the administration and support of the District's programs, such as personnel and accounting (but not interest on long-term debt)—are allocated to programs based on their percentage of total primary government expenses. Interest expenses are allocated to the programs that manage the capital assets financed with long-term debt.
- Program revenues include (a) charges paid 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 and state formula aid, are presented as general revenues.

McCall Fire Protection District
Notes to Financial Statements
For the Year Ended September 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, as applicable.

The District reports the following major governmental funds:

- *General fund.* This is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- *Debt Service.* This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental activities.

Basis of Accounting

The government-wide 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 liabilities are incurred, regardless of when the related cash flows take place.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, 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 and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported 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 they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and claims and judgments, 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 liabilities and acquisitions under capital leases are reported as other financing sources.

McCall Fire Protection District
Notes to Financial Statements
For the Year Ended September 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Reporting and Governmental Funds

Different measurement focuses and bases of accounting are used in the government-wide Statement of Net Position and in the governmental fund Balance Sheet.

The District uses the following fund balance categories in the governmental fund Balance Sheet:

- *Nonspendable.* Balances in prepaid expenditures (\$19,400) and payroll advances (\$12,849), i.e. items that are permanently precluded from conversion to cash.
- *Restricted.* Balances constrained to a specific purpose by enabling legislation, external parties, or constitutional provisions. Debt service in the amount of \$235,462 as of September 30, 2017, is restricted as required by state statute.
- *Unassigned.* Balances available for any purpose.

The remaining fund balance classifications (committed and assigned) are either not applicable or no formal policy has yet been established to be able to utilize such classifications of fund balance. However, if there had been committed funds, these amounts would have been decided by the Board of Commissioners, the District's highest level of decision making authority, through a formal action. The Board of Commissioners would also have the authority to assign funds or authorize another official to do so.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position/fund balance available to finance the program. When both restricted and unrestricted resources are available for use, it is the District's intent to use restricted resources first, then unrestricted resources as they are needed.

There is also no formal policy regarding the use of committed, assigned, or unassigned fund balances. However, it is the District's intent that when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts.

McCall Fire Protection District
Notes to Financial Statements
For the Year Ended September 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets and Liabilities

Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with an original maturity of three months or less. All short-term surpluses are maintained in cash and state investment pools. See Note 2.

Receivables

All trade and property tax receivables are shown net of an allowance for uncollectible accounts.

Property Tax Calendar

The District levies its real property taxes through the county in September of each year based upon the assessed valuation as of the previous July 1. Property taxes are due in two installments on December 20 and June 20 and are considered delinquent on January 1 and July 1, at which time the property is subject to lien.

Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements:

	<u>Capitalization Policy</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	\$5,000	Straight-Line	15 – 40 Years
Equipment and Vehicles	\$5,000	Straight-Line	5 – 10 Years

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over their estimated useful lives.

The District has no infrastructure to report.

McCall Fire Protection District
Notes to Financial Statements
For the Year Ended September 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Payable

Accounts payable represent debts that will be paid in the next billing cycle. Accounts payable are not over 60 days past due.

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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

Deposits

As of September 30, 2017, the carrying amount of the District's deposits \$52,445 and the respective bank balances totaled \$56,437. The entire bank balance was insured or collateralized with pooled securities held by the pledging institution in the name of the District.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. As of September 30, 2017, all of the District's deposits were covered by the federal depository insurance or by collateral held by the District's agent or pledging financial institution's trust department or agent in the name of the District, and thus were not exposed to custodial credit risk. The District does not have a formal policy limiting its exposure to custodial credit risk for deposits.

McCall Fire Protection District
Notes to Financial Statements
For the Year Ended September 30, 2017

2. CASH AND INVESTMENTS (continued)

Custodial Credit Risk – Investments

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The District does not have a formal policy limiting its custodial credit risk for investments.

Interest Rate Risk

The District does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Investments

The District voluntarily participates in the State of Idaho Investment Pool, which has not been rated. The Pool is not registered with the Securities and Exchange Commission or any other regulatory body. The State Treasurer oversees the Pool and Idaho Code defines allowable investments. The fair value of the District's investments in the Pool is the same as the value of the Pool shares.

It is the District's policy to limit investments to the safest types of securities and to diversify the District's investment portfolio so that potential losses on securities will be minimized. The District follows Idaho Statute that outlines qualifying investment options as follows:

Idaho Code authorizes the District to invest any available funds in obligations issued or guaranteed by the United States Treasury, the State of Idaho, local Idaho municipalities and taxing districts, the Farm Credit System, or Idaho public corporations, as well as time deposit accounts and repurchase agreements.

The District's investments at September 30, 2017, are summarized below:

Investment	Fair Value	Investment Maturities (in Years)	
		Less than 1	1 - 5
Money Market Fund	\$1,302,011	\$ 1,302,011	\$ -
Total	\$1,302,011	\$ 1,302,011	\$ -

McCall Fire Protection District
Notes to Financial Statements
For the Year Ended September 30, 2017

2. CASH AND INVESTMENTS (continued)

At year-end, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 52,445
Investments categorized as deposits	<u>1,302,011</u>
	<u>\$ 1,354,456</u>

3. PROPERTY TAXES

McCall Fire Protection District receives tax revenue from Valley County. The County is responsible for property valuation and collection of tax levies. The taxes that have not been remitted to the District by the County as of September 30, 2017, are considered a receivable by the District. Taxes not collected within 60 days after September 30, 2017, are not considered available for use by the District and are recorded as deferred revenue in the fund financial statements.

4. PENSION PLAN

Plan Description

McCall 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.

McCall Fire Protection District
Notes to Financial Statements
For the Year Ended September 30, 2017

4. PENSION PLAN (continued)

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.

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

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% 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% for general employees and 11.66% for police and firefighters. McCall Fire Protection District's contributions were \$133,346 the year ended September 30, 2017.

McCall Fire Protection District
Notes to Financial Statements
For the Year Ended September 30, 2017

4. PENSION PLAN (continued)

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

At September 30, 2017, McCall Fire Protection District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. McCall Fire Protection District's proportion of the net pension liability was based on McCall Fire Protection 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, McCall Fire Protection District's proportion was .0353771 percent.

For the year ended September 30, 2017, McCall Fire Protection District recognized pension expense/ (revenue) of \$111,628. At September 30, 2017, McCall Fire Protection 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	\$ 77,033	\$ 50,097
Changes in assumptions or other inputs	10,283	-
Net difference between projected and actual earnings on pension plan investments	-	33,316
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	19,490	-
McCall Fire Protection District's contributions subsequent to the measurement date	40,180	-
Total	\$ 146,986	\$ 83,413

\$40,180 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 years and 5.5 for the measurement period June 30, 2016.

McCall Fire Protection District
Notes to Financial Statements
For the Year Ended September 30, 2017

4. PENSION PLAN (continued)

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

For the Year Ended	
September 30:	PERSI
2018	\$ 14,281
2019	56,574
2020	19,155
2021	(28,603)
2022	2,166

Actuarial Assumptions

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

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.25 – 10.00%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expense
Cost-of-living	1%

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

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

McCall Fire Protection District
Notes to Financial Statements
For the Year Ended September 30, 2017

4. PENSION PLAN (continued)

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

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions.

Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2017.

Asset Class	Expected Return	Expected Risk	Strategic Normal	Strategic Ranges
Equities			70%	66% - 77%
Broad Domestic Equity	9.15%	19.00%	55%	50% - 65%
International	9.25%	20.20%	15%	10% - 20%
Fixed Income	3.05%	3.75%	30%	23% - 33%
Cash	2.25%	90.00%	0%	0% - 5%
Total Fund	Expected Return	Expected Inflation	Expected Real Return	Expected Risk
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

* Expected arithmetic return net of fees and expenses

McCall Fire Protection District
Notes to Financial Statements
For the Year Ended September 30, 2017

4. PENSION PLAN (continued)

Assumed Inflation - Mean	3.25%
Assumed Inflation - Standard Deviation	
Portfolio Arithmetic Mean Return	2.00%
Portfolio Standard Deviation	8.42%
Portfolio Long-Term Expected Geometric Rate of Return	7.50%
Assumed Investment Expenses	0.40%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses	<u>7.10%</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.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.10 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	Current Discount Rate	1% Increase
Employer's proportionate share of the net pension liability	\$ 1,292,415	\$ 556,067	\$ (55,857)

Pension plan fiduciary net position

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

McCall Fire Protection District
Notes to Financial Statements
For the Year Ended September 30, 2017

4. PENSION PLAN (continued)

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.

5. POST EMPLOYMENT HEALTH PLAN

The District makes contributions to a third-party administrator, who holds funds for employees to pay medical expenses and health insurance premiums after their employment for the District has ended. The District only contributes to the plan while the employees is employed with the District and has no control over the funds. For the year ended September 30, 2017 contributed \$29,355 to the plan.

6. COMPENSATED ABSENCES

Vacation leave is granted to all regular District employees. In the event of termination, an employee is reimbursed for accumulated vacation leave. Accumulated vacation is estimated as follows:

	9/30/16	Increase	Decrease	9/30/17	Current Portion
Governmental Activities	<u>\$ 84,042</u>	<u>\$ 62,677</u>	<u>\$ (70,570)</u>	<u>\$ 76,149</u>	<u>\$ 76,149</u>

7. RISK MANAGEMENT

The District is exposed to a considerable number of risks of loss including, but not limited to, a) damage to and loss of property and contents, b) employee torts, c) professional liabilities, i.e. errors and omissions, d) environmental damage, e) worker's compensation, i.e. employee injuries, and f) medical insurance costs of its employees. Commercial insurance policies are purchased to transfer the risk of loss for property and content damage, employee torts, and professional liabilities.

8. ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable is shown net of the allowance for doubtful accounts. Accounts greater than ninety days old are considered doubtful and total \$174,569.

9. CONTINGENCY

Amounts received or receivable from grantor agencies are subject to audit and adjustment. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time. The District expects such amounts, if any, to be immaterial.

McCall Fire Protection District
Notes to Financial Statements
For the Year Ended September 30, 2017

10. CAPITAL ASSETS

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

	<u>Balance</u> <u>9/30/2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>9/30/2016</u>
Governmental Activities:				
Capital Assets Being Depreciated:				
Buildings and Improvements	\$1,835,035	\$ -	\$ -	\$1,835,035
Equipment	<u>1,358,533</u>	<u>162,700</u>	<u>133,398</u>	<u>1,387,835</u>
Total Historical Cost	<u>3,193,568</u>	<u>162,700</u>	<u>133,398</u>	<u>3,222,870</u>
Less: Accumulated Depreciation				
Buildings and Improvements	585,041	44,619	-	629,660
Equipment	<u>903,108</u>	<u>100,062</u>	<u>131,663</u>	<u>871,507</u>
Total Acc. Depr.	<u>1,488,149</u>	<u>144,681</u>	<u>131,663</u>	<u>1,501,167</u>
Governmental Activities				
Capital Assets – Net	<u>\$1,705,419</u>	<u>\$ 18,019</u>	<u>\$ 1,735</u>	<u>\$1,721,703</u>

Depreciation expense was charged to the functions of the District as follows:

Governmental Activities:	
Public Safety and Protection	<u>\$ 144,681</u>

11. LONG-TERM OBLIGATIONS

Bonds were issued in 2003, for the construction of a new fire station.

Changes in long-term obligations for the year ended September 30, 2017, are as follows:

Governmental Activities:

<u>Description</u>	<u>Maturity</u>	<u>Rate</u>	<u>9/30/16</u>	<u>Increase</u>	<u>Decrease</u>	<u>9/30/17</u>	<u>Current</u>
2003 Building Bond	2018	4.70%	<u>\$275,000</u>	<u>\$ -</u>	<u>\$ 135,000</u>	<u>\$140,000</u>	<u>\$140,000</u>

Debt service requirements on long-term debt at September 30, 2017, are as follows:

Year Ending September 30,	<u>Governmental Activities</u> <u>Bonds and Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2018	<u>\$ 140,000</u>	<u>\$ 3,325</u>

McCall Fire Protection District
Notes to Financial Statements
For the Year Ended September 30, 2017

12. LEASE COMMITMENTS

The District leases a storage unit from A-1 Mini Storage to be used for equipment and material storage. The lease is for one year, which runs from October through September.

The District began leasing a Xerox copier in April 2015. The lease is for five years and payments are due monthly.

Future minimum lease payments are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Amount</u>
2018	\$ 6,772
2019	6,772
2020	<u>3,950</u>
	<u>\$ 17,494</u>

Rent expenditures for the year ended September 30, 2017, were \$13,001.

13. OTHER COMMITMENTS

The District has credit cards available for use with limits totaling \$46,000. As of September 30, 2017, none of the available credit was in use.

REQUIRED SUPPLEMENTARY INFORMATION

McCall Fire Protection District
 Budgetary (GAAP Basis) Comparison Schedule
 General Fund
 For the Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property Taxes	\$ 1,363,846	\$ 1,363,846	\$ 1,378,355	\$ 14,509
Sales Tax	35,000	35,000	47,733	12,733
Charges for Services	622,000	622,000	792,251	170,251
Earnings on Investments	1,200	1,200	7,962	6,762
Grants	30,000	30,000	25,882	(4,118)
Miscellaneous	35,000	35,000	2,584	(32,416)
Total Revenues	<u>2,087,046</u>	<u>2,087,046</u>	<u>2,254,767</u>	<u>167,721</u>
Expenditures				
Current:				
Payroll and Taxes	1,264,050	1,264,050	1,400,404	(136,354)
Benefits	386,005	386,005	418,278	(32,273)
Operation and Maintenance	215,616	215,616	263,889	(48,273)
Equipment Repair and Maintenance	129,875	129,875	120,584	9,291
Equipment Rental	6,500	6,500	5,720	780
Capital Outlay	85,000	85,000	138,675	(53,675)
Contingency	-	-	-	-
Total Expenditures	<u>2,087,046</u>	<u>2,087,046</u>	<u>2,347,550</u>	<u>(260,504)</u>
Excess (Deficiency) of Revenues Over Expenditures				
	<u>-</u>	<u>-</u>	<u>(92,783)</u>	<u>(92,783)</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	(92,783)	(92,783)
Fund Balances - Beginning	-	-	1,137,435	1,137,435
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,044,652</u>	<u>\$ 1,044,652</u>

McCall Fire Protection District
Notes to Required Supplementary Information
For the Year Ended September 30, 2017

1. BUDGETS AND BUDGETARY ACCOUNTING

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. Prior to September 1, the Board of Commissioners prepares a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- B. Public hearings are conducted to obtain taxpayer comments.
- C. Prior to October 1, the budget is legally passed.
- D. The Board of Commissioners, by following the same budgetary procedures used to adopt the original budget, may amend it to a greater amount if additional revenue will accrue to the District as a result of increases in state or federal grants or allocations, or as a result of an increase in revenues from any source other than advalorem tax revenues.
- E. Formal budgetary integration is employed as a management control device during the year for the General fund.
- F. The budget for the General fund is adopted on a basis consistent with generally accepted accounting principles.

2. EXPENDITURES IN EXCESS OF APPROPRIATIONS

The general fund has expenditures in excess of appropriations in the amount of \$260,504.

McCall Fire Protection District
 Schedule of the District's Proportionate Share of the
 Net Pension Liability

Public Employees Retirement System of Idaho

Last 10 - Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District proportion of the net pension liability (asset)	0.0353711%	0.0343184%	0.0328603%
District's proportionate share of the net pension liability (asset)	\$ 556,067	\$ 695,687	\$ 432,717
District's covered-employee payroll	\$ 1,134,330	\$ 989,315	\$ 913,490
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	49.02%	70.32%	47.37%
Plan fiduciary net position as a percentage of the total pension liability	87.26%	82.26%	94.95%

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

Data reported is measured as of June 30, 2016

McCall Fire Protection District
Schedule of District Contributions

Public Employees Retirement System of Idaho

Last 10 - Fiscal Years*

	2017	2016	2015
Contractually required contributions	\$ 133,346	\$ 115,149	\$ 106,311
Contributions in relation to the contractually required contribution	133,346	115,149	106,311
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 1,134,330	\$ 989,315	\$ 913,490
Contributions as a percentage of covered-employee payroll	11.76%	11.64%	11.64%

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

Data reported is measured as of September 30, 2017

FEDERAL REPORTS



Millington Zwygart

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Commissioners
McCall Fire Protection District
McCall, Idaho

We 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 and each major fund of McCall Fire Protection District, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise McCall Fire Protection District's basic financial statements, and have issued our report thereon dated December 11, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered McCall Fire Protection District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of McCall Fire Protection District's internal control. Accordingly, we do not express an opinion on the effectiveness of McCall 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McCall 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Millington Zwyzart CPAs, PLLC

Caldwell, Idaho
December 11, 2017