

Spirit Lake Fire Protection District
Financial Statements
SEPTEMBER 30, 2020

Spirit Lake Fire Protection District

TABLE OF CONTENTS September 30, 2020

FINANCIAL SECTION:

Independent Auditor's Report	1 - 2
---	-------

Basic Financial Statements:

District-wide Financial Statements:

Statement of Net Position	3
---------------------------------	---

Statement of Activities	4
-------------------------------	---

Fund Financial Statements:

Governmental Funds – Balance Sheet	5
--	---

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	6
--	---

Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balances	7
--	---

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	8
---	---

Notes to the Financial Statements	9 - 22
---	--------

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual:

General Fund	23
--------------------	----

GASB 68 Required Supplementary Information:

- Schedule of Employer's Share of Net Pension Liability	24
---	----

- Schedule of Employer Contributions	24
--	----

REPORT REQUIRED BY THE GAO

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	25 - 26
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Financial Section

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Spirit Lake Fire Protection District
Spirit Lake, Idaho 83869

I have audited the accompanying financial statements of the governmental activities and major fund of Spirit Lake Fire Protection District (the "District"), as of and for the year ended September 30, 2020, 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 the 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, I 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 and major fund of Spirit Lake Fire Protection District, as of September 30, 2020, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary information on page 23 and the GASB 68 pension information on page 24 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.

Management has omitted the management's discussion and analysis (MD&A) 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 financial statements in an appropriate operational, economic, or historical context. My 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*, I have also issued my report dated January 25, 2021, on my consideration of Spirit Lake Fire Protection District's internal control over financial reporting and on my test of its compliance with certain provisions, laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 the District's internal control over financial reporting and compliance.

Scott P. Hoover, CPA

Scott P. Hoover, CPA, PLLC
Liberty Lake, WA

January 25, 2021

Financial Section

Basic Financial Statements

Spirit Lake Fire Protection District

STATEMENT OF NET POSITION September 30, 2020

ASSETS:

Cash and cash equivalents	\$ 1,044,815
Property taxes receivable	33,402
Restricted cash	1,152
Land	62,490
Capital assets, net of accumulated depreciation	<u>552,684</u>
Total assets	<u>1,694,543</u>

DEFERRED OUTFLOWS OF RESOURCES:

Deferred pension outflows	<u>87,428</u>
Total deferred outflows of resources	<u>87,428</u>

LIABILITIES:

Accounts payable	11,035
Accrued payroll and benefits	22,961
Noncurrent liabilities:	
Due within one year	-
Due in more than one year	30,265
Net pension liability	<u>342,895</u>
Total liabilities	<u>407,156</u>

DEFERRED INFLOWS OF RESOURCES:

Deferred pension inflows	<u>11,196</u>
Total deferred inflows of resources	<u>11,196</u>

NET POSITION:

Net investment in capital assets	615,174
Restricted: security deposit	1,152
Unrestricted	<u>747,293</u>
Total net position	<u>\$ 1,363,619</u>

The accompanying "Notes to the Financial Statements"
are an integral part of these financial statements.

Spirit Lake Fire Protection District

**STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020**

EXPENSES:

Public safety - fire protection:	
Salaries and wages	\$ 542,067
Health insurance	85,742
Retirement	117,698
Depreciation	43,158
Payroll taxes	41,924
Workman's compensation insurance	28,222
Repairs and maintenance	15,695
Insurance	22,718
Personal protective equipment	3,014
Utilities	11,432
Miscellaneous	22,451
Office and administrative	14,272
Truck fuel	6,341
Communications	5,416
Legal and professional fees	5,200
Building maintenance	6,194
Training	1,487
Total program expenses	<u>973,031</u>

PROGRAM REVENUES:

Charges for services - EMS Revenues	<u>212,235</u>
Total program revenues	<u>212,235</u>
 Net program expense	 <u>760,796</u>

GENERAL REVENUES:

Property taxes	788,103
State sales taxes	25,843
Interest income	13,730
Miscellaneous	13,590
Total general revenues	<u>841,266</u>
 Change in net position	 \$ 80,470
Net position- beginning	<u>1,283,149</u>
Net position- ending	<u><u>\$ 1,363,619</u></u>

The accompanying "Notes to the Financial Statements"

are an integral part of this statement.

Spirit Lake Fire Protection District

**GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2020**

ASSETS:

Cash and cash equivalents	\$ 1,044,815
Property taxes receivable	33,402
Restricted cash	<u>1,152</u>
Total assets	<u><u>\$ 1,079,369</u></u>

LIABILITIES:

Accounts payable	\$ 11,035
Accrued payroll and benefits	<u>22,961</u>
Total liabilities	<u>33,996</u>

DEFERRED INFLOWS OF RESOURCES:

Unavailable revenue- property taxes	<u>28,999</u>
Total deferred inflows of resources	<u>28,999</u>

FUND BALANCES:

Restricted - security deposit	1,152
Unassigned	<u>1,015,222</u>
Total fund balances	<u>1,016,374</u>

Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 1,079,369</u></u>
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The accompanying "Notes to the Financial Statements" are an integral part of this statement.

Spirit Lake Fire Protection District

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2020**

Total fund balances - Governmental Funds, September, 30, 2020	\$ 1,016,374
Cost of land	62,490
Cost of depreciable assets	1,599,560
Less: Accumulated depreciation, September 30, 2020	(1,046,876)
Elimination of unavailable revenue- property taxes	28,999
Pension liabilities, deferred outflows and deferred inflows of resources related to pensions:	
District's proportionate share of collective deferred outflows of resources	87,428
Proportionate share of collective deferred inflows of resources	(11,196)
District's proportionate share of the collective net pension liability	(342,895)
Long-term debt balance - September 30, 2020	<u>(30,265)</u>
Net position, September 30, 2020	<u><u>\$ 1,363,619</u></u>

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

Spirit Lake Fire Protection District

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2020**

REVENUES:

Property taxes	\$ 792,937
EMS revenue	212,235
Miscellaneous	13,590
State sales taxes	25,843
Interest income	13,730
Total revenues	<u>1,058,335</u>

EXPENDITURES:

Operating expenditures:	
Salaries and wages	539,554
Health insurance	85,742
Retirement	61,587
Payroll taxes	41,924
Workman's compensation insurance	28,222
Insurance	22,718
Office and administrative	14,272
Repairs and maintenance	15,695
Miscellaneous	22,451
Utilities	11,432
Communications	5,416
Building maintenance	6,194
Fuel	6,341
Personal protective equipment	3,014
Legal and professional fees	5,200
Training	1,487
Capital expenditures and debt service:	
Capital outlay	<u>2,511</u>
Total expenditures	<u>873,760</u>
Net change in fund balance	\$ 184,575
Fund balance - beginning	<u>831,799</u>
Fund balance - ending	<u>\$ 1,016,374</u>

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

Spirit Lake Fire Protection District

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES For the Year Ended September 30, 2020

Total net changes in fund balances for the year ended September 30, 2020	\$ 184,575
Add: Capital outlay, which is considered expenditures	2,511
Less: Depreciation expense for the year ended September 30, 2020	(43,158)
Change in compensated absences	(2,513)
Change in retirement contributions not required to be paid with current financial resources	(56,111)
Add: Difference between revenue earned on property taxes on modified accrual basis versus revenue on property taxes on accrual basis	<u>(4,834)</u>
Change in net position for the year ended September 30, 2020	<u>\$ 80,470</u>

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

Spirit Lake Fire Protection District

NOTES TO THE FINANCIAL STATEMENTS September 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Spirit Lake Fire Protection District (the "District") was formed and became a taxing district for the purpose of providing fire protection and emergency medical services to the Spirit Lake region and the surrounding area as defined by the District's Board of Commissioners.

Under generally accepted accounting principles, a reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of Spirit Lake Fire Protection District consists of all funds, departments, boards and agencies that are not legally separate from the District. For Spirit Lake Fire Protection District, this includes general operations.

Component units are legally separate organizations for which the District is financially accountable. Component units may include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt, or the levying of taxes. The District has no component units.

The financial statements of Spirit Lake Fire Protection District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below:

B. Basis of Presentation - Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and statement of activities) report information on all of the non-fiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions are restricted to the operational or capital requirements of a particular function or segment. Taxes and other items properly not included among program revenues are reported instead as general revenues.

C. Basis of Presentation – Fund Financial Statements

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District has only one governmental fund:

General Fund – The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund is available for any purpose provided it is expended or transferred according to Idaho State law.

Spirit Lake Fire Protection District

NOTES TO THE FINANCIAL STATEMENTS September 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting

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

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

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

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

E. Cash and Cash Equivalents

Cash received by the District is pooled for investment purposes and is presented as "Cash and Cash Equivalents" on the financial statements.

During the fiscal year ended September 30, 2020, cash and cash equivalents were limited to bank deposits and the Idaho State Investment Pool. The Idaho State Investment Pool is an investment pool, which allows districts within the State of Idaho to pool their funds for investment purposes. Investments in the Idaho State Investment Pool are valued at cost, which materially equals market value.

For presentation in the financial statements, investments in the cash management pool and investments with an original maturity of three months or less, at the time they are purchased by the District, are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Spirit Lake Fire Protection District

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Capital Assets

General capital assets usually result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position but are not reported in fund financial statements.

All capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements and interest incurred during construction of capital assets are capitalized. The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets useful life are not capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line over the following estimated useful lives:

	<u>Estimated Lives</u>
Building and improvements	40 years
Equipment	5 – 10 years
Fire trucks	5 – 10 years

G. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees who qualify.

H. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments and the noncurrent portion of capital leases, which will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within 60 days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Spirit Lake Fire Protection District

NOTES TO THE FINANCIAL STATEMENTS September 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only one item that qualifies for reporting in this category. It is the deferred outflows relating to the accounting for the net pension obligation on the government-wide statement of net position, in accordance with GASB 68, *Accounting and Financial Reporting for Pensions*.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified-accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue- property taxes, is reported only in the governmental funds balance sheet. The governmental funds balance sheet reports unavailable revenue from property taxes which have not been collected within 60 days after the fiscal year-end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District has one type of item which arises under the full-accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item "deferred pension inflows" is reported only on the government-wide statement of net position, and presents the District's proportionate share of the collective deferred pension inflows in accordance with GASB 68, *Accounting and Financial Reporting for Pensions*.

J. Fund Balance Classifications

The District has adopted GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" (required implementation date of June 2011). This Statement establishes criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. Application of the Statement requires the District to classify and report amounts in the appropriate fund balance classifications. The District's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment as restricted, committed, assigned, or unassigned.

The District reports the following classifications as applicable:

Non-spendable Fund Balance – Non-spendable fund balances are amounts that cannot be spent because they are either: (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

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

Spirit Lake Fire Protection District

NOTES TO THE FINANCIAL STATEMENTS September 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Fund Balance Classifications (Concluded)

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

Assigned Fund Balance – Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by: (a) the secretary/treasurer, or (b) an appointed body (e.g., a budget or finance committee) or official to which the Commissioners have delegated the authority to assign, modify, or rescind amounts to be used for specific purposes. Assigned fund balance includes: (a) all remaining amounts that are reported in governmental funds (other than the general fund) that are not classified as non-spendable, restricted, or committed, and (b) amounts in the general fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, are assigned for purposes in accordance with the nature of their fund type. Assignment within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

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

K. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purposes, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

L. Net Position Flow Assumption

Net position represents the difference between assets and liabilities. Net investment in capital assets (net of any related debt) consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Spirit Lake Fire Protection District

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

L. Net Position Flow Assumption (Concluded)

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

M. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

N. Property Taxes

Property taxes levied for 2019 are recorded as receivables. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent that they are collected within 60 days after year-end, in accordance with the modified-accrual basis of accounting. Receivables collectible after the 60-day date are reflected in the fund financial statements as deferred inflows of resources. In the government-wide financial statements, property taxes are recorded as revenue in the period levied in accordance with the accrual basis of accounting.

The District's property tax is levied each November based on the assessed value listed as of the prior September for all property located within the District. Assessed values are established by the County Assessor. Property tax payments are due in one-half installments in December and June.

O. Pension Plan

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

Spirit Lake Fire Protection District

NOTES TO THE FINANCIAL STATEMENTS September 30, 2020

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual budget is adopted for the general fund. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the general fund.

This is in conformance with Idaho State Statutes, which require that appropriations lapse at the end of a fiscal year and are not available to be carried forward to be used in addition to the succeeding year's appropriation. The budget was not amended in the current fiscal year.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- a) The District publishes a proposed budget for public review.
- b) Public hearings are set to obtain taxpayer comments.
- c) Prior to October 1, the budget is adopted by resolution of the Board of Commissioners and published.

Lapsing of Appropriations – At the close of each year, all unspent appropriations revert to the respective funds from which they were appropriated and become subject to future appropriation.

NOTE 3: CASH AND CASH EQUIVALENTS

General:

State statutes authorize the District's investments and deposits. The District is authorized to invest in demand deposits, savings accounts, U.S. Government obligations and its agencies, obligations of Idaho and its agencies, fully collateralized repurchase agreements, prime domestic commercial paper, prime domestic bankers acceptances, bonds, debentures or notes of any corporation organized, controlled and operating within the U.S. which have at their purchase an "A" rating or higher, government pool and money market funds consisting of any of these securities listed. No violations of these categories have occurred during the year.

Custodial Credit Risk:

Custodial credit risk is the risk that in the event of a failure of a financial institution, the District's deposits and investments may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of September 30, 2020, the District's bank balance deposits were not exposed to custodial credit risk because it maintained its cash deposits in various financial institutions to the effect that the balance with each institution did not exceed the FDIC insurance limits.

Spirit Lake Fire Protection District

NOTES TO THE FINANCIAL STATEMENTS September 30, 2020

NOTE 3: CASH AND CASH EQUIVALENTS (Concluded)

Fair Value:

The District's investments in 2a-7-like pools are valued based upon the value of pool shares. The District invests in one 2a-7-like pool, the Idaho State Investment Pool. The advisory board of the Idaho State Investment Pool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act. The Idaho State Investment Pool is duly chartered and administered by the State Treasurer's office and consists of U.S. Treasury bills and notes, collateralized certificates of deposit and repurchase agreements.

As of September 30, 2020, the District had a balance in the Idaho State Investment Pool carried at cost of \$1,008,194, which approximates fair market value. The District's portion of the Idaho State Investment Pool had an unrealized gain of \$3,932 as of September 30, 2020. As the difference between fair market value and cost is immaterial, the unrealized gain has not been recorded in the District's general ledger.

Credit Risk:

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

NOTE 4: CAPITAL ASSETS

Following is a recap of capital assets for the fiscal year ended September 30, 2020:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 62,490	\$ -	\$ -		\$ 62,490
Construction in progress	104,157	-	-	(104,157)	-
Total capital assets, not being depreciated	<u>166,647</u>	<u>-</u>	<u>-</u>	<u>(104,157)</u>	<u>62,490</u>
Capital assets, being depreciated:					
Building and improvements	354,955	-	-	-	354,955
Vehicles	935,789	2,511	-	89,157	1,027,457
Equipment	202,148	-	-	15,000	217,148
Total capital assets being depreciated	<u>1,492,892</u>	<u>2,511</u>	<u>-</u>	<u>104,157</u>	<u>1,599,560</u>
Less accumulated depreciation:					
Building and improvements	149,760	8,174	-	-	157,934
Vehicles	685,660	25,432	-	-	711,092
Equipment	168,298	9,552	-	-	177,850
Total accumulated depreciation	<u>1,003,718</u>	<u>43,158</u>	<u>-</u>	<u>-</u>	<u>1,046,876</u>
Total capital assets, being depreciated, net	<u>489,174</u>	<u>(40,647)</u>	<u>-</u>	<u>104,157</u>	<u>552,684</u>
Governmental activities capital assets, net	<u>\$ 655,821</u>	<u>\$ (40,647)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 615,174</u>

Depreciation expense of \$43,158 for the year ending September 30, 2020 was charged to the public safety- fire protection governmental function.

Spirit Lake Fire Protection District

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020**

NOTE 5: ACCRUED VACATION BENEFITS

Included in liabilities on the government-wide statement of net position is an accrual for vacation and personal leave benefits in the amount of \$30,265 for the year ended September 30, 2020. Governmental Accounting Standards Board Statement No. 16 requires accrual of employee compensation for future absences if certain conditions exist.

NOTE 6: CHANGES IN LONG-TERM DEBT

Changes in general long-term debt are as follows:

Governmental Activities:	Balance 9/30/2019	Additions	Deletions	Balance 9/30/2020	Current Portion
Compensated absences	\$ 27,752	\$ 2,513	\$ -	\$ 30,265	\$ -
Total	<u>\$ 27,752</u>	<u>\$ 2,513</u>	<u>\$ -</u>	<u>\$ 30,265</u>	<u>\$ -</u>

NOTE 7: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District contracts with an insurance company for property insurance and general liability insurance.

NOTE 8: OPERATING AGREEMENT WITH KCEMSS

The District has entered into a cooperative agreement with Kootenai County Emergency Medical Services System (the "System") authorized by Kootenai County. This agreement authorizes the System and the District to operate and manage Kootenai County's pre-hospital emergency medical services systems, including paramedic, advanced and basic life support services, and emergency and non-emergency medical transport service. The District provides the System with sufficient personnel to staff an ambulance at its main station in Spirit Lake, on a 24-hour basis, seven days per week. These employees remain the employees of the District at all times, and the District is responsible for payment of wages, benefits and payroll taxes. In return, the System is required to pay the District at total of \$204,939 in equal monthly installments for the year ended September 30, 2020.

Spirit Lake Fire Protection District

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

NOTE 9: DEFINED BENEFIT PENSION PLAN

Plan Description

The District contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by the 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 the administration of the Base Plan is assigned to the Board comprise of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

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

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2020, it was 7.16% for general employees and 8.81% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.94% for general employees and 12.28% for police and firefighters. The District's contributions were \$61,587 for the year ended September 30, 2020.

Spirit Lake Fire Protection District

NOTES TO THE FINANCIAL STATEMENTS September 30, 2020

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

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

At September 30, 2020, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, the District's proportion was 0.0147664 percent.

For the year ended September 30, 2020, the District recognized pension expense of \$117,698. At September 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 26,791	\$ 11,196
Changes in assumptions or other inputs	5,799	-
Net difference between projected and actual earnings on pension plan investments	39,302	-
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	-	-
District's contributions subsequent to the measurement date	15,536	-
Total	\$ 87,428	\$ 11,196

\$15,536 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, 2021.

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, 2019, the beginning of the measurement period ended June 30, 2019 is 4.8 years and 4.8 years for the measurement period June 30, 2020.

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 Ending September 30,		
2020	\$	1,108
2021	\$	14,444
2022	\$	19,604
2023	\$	25,540

Spirit Lake Fire Protection District

NOTES TO THE FINANCIAL STATEMENTS September 30, 2020

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assume 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, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Salary inflation	3.75%
Investment rate of return	7.05%, 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 mail fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and beneficiaries

An experience study was performed for the period July 1, 2013 through June 30, 2017 which reviewed all economic and demographic assumptions including mortality. The Total Pension Liability as of June 30, 2020 is based on the results of an actuarial valuation date July 1, 2020.

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 the 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 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 settling 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 2020.

Spirit Lake Fire Protection District

NOTES TO THE FINANCIAL STATEMENTS September 30, 2020

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

Capital Market Assumptions from Callan 2020

<u>Asset Class</u>	Target Allocation	Long-Term Expected Nominal Rate of Return (Arithmetic)	Long-Term Expected Real Rate of Return (Arithmetic)
Core Fixed Income	30.00%	2.80%	0.55%
Broad US Equities	55.00%	8.55%	6.30%
Developed Foreign Equities	15.00%	8.70%	6.45%
Assumed Inflation - Mean		2.25%	2.25%
Assumed Inflation - Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.85%	4.60%
Portfolio Standard Deviation		12.33%	12.33%
Portfolio Long-Term (Geometric) Expected Rate of Return		6.25%	3.89%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses		5.85%	3.49%

Discount Rate

The discount rate used to measure the total pension liability was 7.05%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plan's 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.

Spirit Lake Fire Protection District

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 9: DEFINED BENEFIT PENSION PLAN (Concluded)

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

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

	1% Decrease (6.05%)	Current Discount Rate (7.05%)	1% Increase (8.05%)
Employer's proportionate share of the net pension liability (asset)	\$ 703,184	\$ 342,895	\$ 44,995

Pension Plan Fiduciary Net Position

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

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

Payables to the Pension Plan

At September 30, 2020, the District had no payables outstanding to the defined benefit pension plan for legally required employer contributions or for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

Required Supplementary Information

Spirit Lake Fire Protection District

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2020**

	Original Budgeted Amounts*	Actual Amounts	Variance With Final Budget
REVENUES			
Property taxes	\$ 756,309	\$ 792,937	\$ 36,628
EMS revenue	213,136	212,235	(901)
Miscellaneous	5,000	13,590	8,590
State sales taxes	17,000	25,843	8,843
Interest income	15,000	13,730	(1,270)
Total revenues	<u>1,006,445</u>	<u>1,058,335</u>	<u>51,890</u>
EXPENDITURES			
Operating expenditures:			
Salaries and wages	549,926	539,554	10,372
Health insurance	90,000	85,742	4,258
Retirement	70,000	61,587	8,413
Payroll taxes	50,000	41,924	8,076
Workman's compensation insurance	26,000	28,222	(2,222)
Insurance	27,000	22,718	4,282
Office and administrative	19,550	14,272	5,278
Repairs and maintenance	27,350	15,695	11,655
Miscellaneous	24,387	22,451	1,936
Utilities	12,040	11,432	608
Communications	10,500	5,416	5,084
Building maintenance	16,442	6,194	10,248
Fuel	10,000	6,341	3,659
Personal protective equipment	9,750	3,014	6,736
Legal and professional fees	7,500	5,200	2,300
Training	6,000	1,487	4,513
Capital expenditures and debt service:			
Capital outlay	<u>200,000</u>	<u>2,511</u>	<u>197,489</u>
Total expenditures	<u>1,156,445</u>	<u>873,760</u>	<u>282,685</u>
Excess (deficiency) of revenues over expenditures	(150,000)	184,575	(230,795)
Net change in fund balances	(150,000)	184,575	334,575
Fund balance- beginning	<u>150,000</u>	<u>831,799</u>	<u>681,799</u>
Fund balance- ending	<u>\$ -</u>	<u>\$ 1,016,374</u>	<u>\$ 1,016,374</u>

* Budget was not amended

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

Spirit Lake Fire Protection District

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's portion of the net pension liability	0.0148%	0.0152%	0.0148%	0.0166%	0.0151%	0.0138%
Employer's proportionate share of the net pension liability	\$ 342,895	\$ 173,505	\$ 217,957	\$ 260,873	\$ 305,308	\$ 181,875
Employer's covered-employee payroll	\$ 505,838	\$ 516,713	\$ 474,523	\$ 453,828	\$ 468,671	\$ 389,934
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	67.79%	33.58%	45.93%	57.48%	65.14%	46.64%
Plan fiduciary net position as a percentage of the total pension liability	93.79%	93.79%	91.69%	90.68%	87.26%	91.38%

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

Date reported is measured as of June 30, 2020.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 61,587	\$ 60,608	\$ 55,188	\$ 52,792	\$ 54,402	\$ 45,178
Contributions in relation to the statutorily required contribution	\$ (61,587)	\$ (60,608)	\$ (55,188)	\$ (52,792)	\$ (54,402)	\$ (44,368)
Contribution (deficiency) excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 810
Employer's covered-employee payroll	\$ 505,838	\$ 516,713	\$ 474,523	\$ 453,828	\$ 468,671	\$ 389,934
Contributions as a percentage of covered-employee payroll	12.18%	11.73%	11.63%	11.63%	11.61%	11.59%

* 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.

Date reported is measured as of September 30, 2020.

Report Required by the GAO



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

Independent Auditor's Report

To the Board of Commissioners
Spirit Lake Fire Protection District
Spirit Lake, Idaho 83869

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 and major fund of Spirit Lake Fire Protection District (the "District"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued my report thereon dated January 25, 2021.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered Spirit Lake 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 the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the 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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS (CONCLUDED)*

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

Scott P. Hoover, CPA

Scott P. Hoover, CPA, PLLC

January 25, 2021