

KETCHUM RURAL FIRE PROTECTION DISTRICT

Financial Statements

Years Ended September 30, 2019

**KETCHUM RURAL FIRE PROTECTION DISTRICT
SUN VALLEY, IDAHO
for the year ended September 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

December 20, 2019

To the Board of Commissioners
Ketchum Rural Fire Protection District
Ketchum, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Ketchum Rural Fire Protection District (the District) of and for the year ended September 30, 2019, and 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 the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 District'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 District'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 cash basis financial position of the governmental activities and the general fund of the Ketchum Rural Fire Protection District, as of September 30, 2019, and the respective changes in cash basis financial position, for the years then ended in accordance with the cash basis of accounting described in Note 1.

Emphasis of Matters

Basis of Accounting

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared in accordance with the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the District's basic financial statements. The budgetary comparison schedule – cash basis – general fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison schedule – cash basis- general fund presented on page 11 is the responsibility of management and was derived from, and related directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018, on our consideration of the 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. This 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.

Workman & Company

WORKMAN AND COMPANY
Certified Public Accountants
Twin Falls, Idaho

KETCHUM RURAL FIRE PROTECTION DISTRICT
Statement of Net Position and Governmental Fund Balance Sheet - Cash Basis
For the year ended September 30, 2019

	<u>Governmental Fund General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets:			
Cash and cash equivalents	\$ <u>1,160,828</u>	\$ _____	\$ <u>1,160,828</u>
Total assets	\$ <u><u>1,160,828</u></u>	\$ <u><u> </u></u>	\$ <u><u>1,160,828</u></u>
Fund Balance / Net Position			
Fund balance			
Unassigned	\$ <u>1,160,828</u>	\$ <u>(1,160,828)</u>	
Total fund balance	\$ <u>1,160,828</u>	\$ <u>(1,160,828)</u>	
Net Position			
Unrestricted		\$ <u>1,160,828</u>	\$ <u>1,160,828</u>
Total net position		\$ <u><u>1,160,828</u></u>	\$ <u><u>1,160,828</u></u>

The accompanying notes are a part of these financial statements

KETCHUM RURAL FIRE PROTECTION DISTRICT
Statement of Activities and Governmental Fund Receipts, Disbursements,
and Changes in Fund Balances - Cash Basis
For the year ended September 30, 2019

	Governmental Fund <u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Disbursements:			
Contracts for services	\$ 232,535	\$	\$ 232,535
Insurance	6,164		6,164
Professional fees	23,957		23,957
Supplies	23,009		23,009
Maintenance and repairs	58,534		58,534
Utilities	18,029		18,029
Miscellaneous disbursements	2,903		2,903
Capital outlay	9,721		9,721
Total disbursements	<u>374,852</u>		<u>374,852</u>
Program Receipts:			
Impact fees	38,263		38,263
Housing fees	32,936		32,936
Permits	1,997		1,997
Total program receipts	<u>73,196</u>		<u>73,196</u>
Net program disbursement	<u>(301,656)</u>		<u>(301,656)</u>
General Receipts:			
Property taxes	415,766		415,766
Sales tax	18,640		18,640
Interest earnings on investments	24,285		24,285
Total general receipts	<u>458,691</u>		<u>458,691</u>
Excess of disbursements over receipts	<u>157,035</u>	(157,035)	
Decrease in net position		157,035	157,035
Fund Balance / Net Position			
Beginning of the year	<u>1,003,793</u>		<u>1,003,793</u>
End of the Year	<u>\$ 1,160,828</u>	<u>\$</u>	<u>\$ 1,160,828</u>

The accompanying notes are a part of these financial statements

**KETCHUM RURAL FIRE PROTECTION DISTRICT
KETCHUM, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
At September 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Ketchum Rural Fire Protection District (District) is a fire protection district consisting of patrons from Blaine County. The Board of Commissioners (Board), a three-member group constituting an on-going entity, is the level of government that has governance responsibilities over all activities within the jurisdiction of the local independent fire protection district. The District receives funding from local and state government sources and must comply with the concomitant requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

Government – Wide and Fund Financial Statements

The government – wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the governmental entity. The District has one governmental fund for financial statement presentation purposes.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government – wide and governmental fund financial statements are presented in accordance with a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred.

This cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual. As a result, only cash and cash equivalents and related net position or fund balances arising from cash transactions are reported in the statements of net position and balance sheets. All other economic assets, deferred outflows of resources, liabilities, and deferred inflows of resources that would be reported in GAAP basis financial statements are not reported in this cash basis presentation.

**KETCHUM RURAL FIRE PROTECTION DISTRICT
KETCHUM, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
At September 30, 2019**

Continued -

The district reports the following major governmental fund:

The general fund is the District's primary operating fund. It accounts for all financial recourses of the general government.

Amounts reported as program receipts include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

Fund balance 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 of nonspendable, restricted, committed, assigned, or unassigned. The District permits funds to be expended in the following order: Nonspendable, Restricted, Committed, Assigned and Unassigned.

The District reports the following classifications:

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

Deposits

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date to acquisition.

State statute authorizes the District to invest in obligations of the U.S. Treasury, general obligation or revenue bonds of the State or any Idaho County, City, or taxing district, tax anticipation notes, repurchase agreements, time deposit accounts, and the State Treasurer's Investment Pool.

NOTE 2 – STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on the cash basis accounting principles for the general fund. All annual appropriations lapse at fiscal year-end.

The Board of Commissioners follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At least 28 days prior to the levy election, the District publishes a proposed budget for public review.
2. Public hearings are set to obtain taxpayers' comments.
3. At least 14 days prior to the levy election, the final budget is adopted by resolution of the board and published.

**KETCHUM RURAL FIRE PROTECTION DISTRICT
KETCHUM, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
At September 30, 2019**

Continued –

4. Prior to September 1, the final budget is filed with the county commissioners.
5. At least 120 days prior to the close of the fiscal year, a revised budget is prepared, adopted and published reflecting updated information received through that date. This is also filed with the County.

Fund	Budgeted Appropriations Expenditures
General Fund	\$ 491,648

Encumbrance accounting methods were not used in the preparation of the District's financial statements. Uncommitted appropriations lapse at year-end and commitments are re-appropriated in the next year's budget.

NOTE 3 – DETAILED NOTES

Deposits

The following is a summary of the District's deposit balances as of September 30, 2019:

<u>Government-wide Statement of Net Position</u>	<u>Totals</u>
Bank Deposits – Insured	\$ 93,108
State Treasurer's Investment Pool	<u>1,067,760</u>
Total	<u>\$ 1,160,868</u>

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. The entire bank balance was covered by depository insurance.

Property Tax

The District's property tax is levied each October on the value listed as the prior January 1 for all real property located in the District. The lien date is effective January 1 of the year the property tax is levied. A revaluation of all property is required to be completed no less than every five years. Under Idaho Code Section 31-4318 the District's maintenance and operation levy may not exceed .06% of the actual or adjusted market value for assessment purposes as a December 31 of the previous year. Taxes are due in two equal installments on December 20 and June 20 following the levy date. The county provides tax settlements to the District in monthly statements.

**KETCHUM RURAL FIRE PROTECTION DISTRICT
KETCHUM, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
At September 30, 2019**

Continued –

NOTE 4 – OTHER INFORMATION

Contracted Services

The District contracted with the City of Ketchum, Idaho to answer fire calls and provide fire protection services to the citizens of the District. The current contract was entered into January 27, 1986 and was renewed in 2016 but was terminated as of September 30, 2019. Beginning October 1, 2019, the District will contract with the City of Sun Valley, Idaho to answer fire calls and provide fire protection services to the citizens of the District.

The agreement called for an annual obligation to the City of Ketchum, Idaho paid in two installments, payable February 1 and August 1 of each year. The amount due on February 1 is equal to the percentage of tax revenues received by the District on January 15 compared to the total tax revenues to be received for the year as certified with Blaine County. The balance is due August 1.

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 for which the district carries commercial insurance. Amounts of settlements have not exceeded insurance coverage in the past three years.

Environmental Issues

The District owns several fire station buildings. These carry a responsibility for environmental issues that, if violated, would be a liability to the District. There has been no environmental study of the District to determine the existence of any such liabilities.

NOTE 5 SUBSEQUENT EVENTS

Subsequent events were evaluated through the date of the auditor's report, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

KETCHUM RURAL FIRE PROTECTION DISTRICT
Budgetary Comparison Schedule
Cash Basis - General Fund
for the year ended September 30, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Favorable (Unfavorable)</u>
Disbursements:			
Contracts for services	\$ 327,851	\$ 232,535	\$ 95,316
Insurance	6,164	6,164	0
Professional fees	26,825	23,957	2,868
Supplies	47,500	21,009	26,491
Maintenance and repairs	44,904	58,534	(13,630)
Utilities	18,150	18,029	121
Miscellaneous disbursements	1,904	2,903	(999)
Grant disbursements	0	2,000	(2,000)
Capital outlay	18,350	9,721	8,629
	<u>491,648</u>	<u>374,852</u>	<u>116,796</u>
Receipts:			
Property taxes	412,139	415,766	3,627
Impact fees	24,000	38,263	14,263
Housing fees	33,000	32,936	(64)
Sales tax	10,000	18,640	8,640
Earnings on investments	7,350	24,285	16,935
Permits	3,000	1,997	(1,003)
Grant receipts	1,000		(1,000)
	<u>490,489</u>	<u>531,887</u>	<u>41,398</u>
EXCESS OF DISBURSEMENTS OVER RECEIPTS	(1,159)	157,035	\$ 158,194
Fund Balance / Net Position			
Beginning of the year, restated	<u>1,003,793</u>	<u>1,003,793</u>	
End of the year	<u>\$ 1,002,634</u>	<u>\$ 1,160,828</u>	<u>\$ 158,194</u>

The accompanying notes are a part of these financial statements.

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**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**

December 20, 2019

To the Board of Commissioners
Ketchum Rural Fire Protection District
Ketchum, 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 of the Ketchum Rural Fire Protection District (the District), as of and for the years ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 20, 2019. The financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we 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.

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 identify certain deficiencies in internal control that we consider to be material weaknesses and have described these in the accompanying schedule of findings and responses (2019-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Report Continued—

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.

Workman & Company

WORKMAN AND COMPANY
Certified Public Accountants
Twin Falls, Idaho

KETCHUM RURAL FIRE PROTECTION DISTRICT
Schedule of Findings and Responses
For the Year Ended September 30, 2019

Finding 2019-1: Lack of segregation of duties

Condition: The District lacks a segregation of duties over accounting functions, including stewardship of cash and cash equivalents.

Criteria: Inherent in an adequate internal control structure is a segregation of duties governing the overall administration and stewardship of assets.

Cause: The District does not have an internal control system designed to provide for segregation of duties over the accounting function.

Effect: The lack of an ideal segregation of duties may increase the risk that loss of assets would not be detected and prevented in a timely manner and in the normal course of operations.

Recommendation: It is suggested the District take such actions as hiring additional personnel to assist in accounting duties, including the reconciling of cash and cash equivalents.

Response: District management believes the cost of hiring additional personnel outweighs the benefit to be derived as mitigating controls are currently in place such as Board review of all disbursements, two signatures required on all checks, and monthly Board review of financial reports prepared by the District Clerk.