

**TETON COUNTY FIRE PROTECTION DISTRICT**

**Financial Statements  
And  
Supplementary Information  
with  
Independent Auditors' Report  
Year Ended September 30, 2015**

**TETON COUNTY FIRE PROTECTION DISTRICT**  
**Table of Contents**  
**September 30, 2015**

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**Independent Auditors' Report**..... 1-3

**Basic Financial Statements**

Statements of Net Position ..... 4

Statements of Activities..... 5

Balance Sheets – Governmental Funds ..... 6

Reconciliation of the Balance Sheets of Governmental Funds to  
The Statements of Net Position..... 7

Statements of Revenues, Expenditures, and Changes in Fund  
Balances – Governmental Funds ..... 8

Reconciliation of the Statements of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds to the  
Statements of Activities ..... 9

Statements of Fiduciary Net Position – Agency Funds..... 10

Notes to Financial Statements ..... 11-25

**Required Supplementary Information**

Schedule of Revenues, Expenditures, and Changes in  
Fund Balances-Budget and Actual – General Fund  
For the Year Ended September 30, 2014 ..... 26

Schedule of Employer’s Share of Net Pension Liability..... 27

Schedule of Employers Contributions..... 28

**Independent Auditors’ 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*** ..... 29-30



## **INDEPENDENT AUDITORS' REPORT**

To the Commissioners  
Teton County Fire Protection District  
Driggs, Idaho

We have audited the accompanying financial statements of the governmental activities and each major fund of Teton County Fire Protection District as of and for the year ended September 30, 2015, 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 of Teton County Fire Protection District, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter - Change in Accounting Principle**

As described in Note 1 to the financial statements, the County adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*. As a result of this accounting policy change, the prior year net position is restated in the current year presentation. See Note 1 for further discussion on this restatement. The District also adopted new accounting guidance *GASB No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. As a result of this accounting policy change, the District is required to recognize a beginning deferred outflow of resources for its pension contributions, if any were made subsequent to the measurement date of the beginning net pension liability. See Note 1 for further discussion on this item. Our opinion is not modified with respect to these matters.

### **Other Matters**

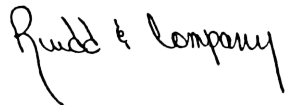
#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 25 and pension information on pages 26 and 27 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.

Teton County Fire Protection District has not presented management discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2016 on our consideration of the District's internal control over financial reporting and 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 the District's internal control over financial reporting and compliance.



Rexburg, Idaho  
February 29, 2016

**TETON COUNTY FIRE PROTECTION DISTRICT**  
**Statement of Net Position**  
**September 30, 2015**

	<u>2015</u>
<b>Assets</b>	
Current Assets:	
Cash and Investments	\$ 2,545,508
Receivables:	
Teton County--Property Taxes	167,880
Other Receivables	4,783
Total Current Assets	<u>2,718,171</u>
Noncurrent Assets:	
Capital Assets:	
Nondepreciable Capital Assets	59,000
Depreciable Capital Assets	5,140,300
Accumulated Depreciation	<u>(3,821,614)</u>
Total Noncurrent Assets	<u>1,377,686</u>
Total Assets	<u>4,095,857</u>
<b>Deferred Outflows of Resources</b>	
Pension	<u>351,551</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 4,447,408</u>
<b>Liabilities</b>	
Current Liabilities:	
Accounts Payable	15,756
Accrued Payroll and Employee Benefits	108,696
Total Current Liabilities	<u>124,452</u>
Noncurrent Liabilities:	
Net Pension Liability	<u>739,440</u>
Total Liabilities	<u>863,892</u>
<b>Deferred Inflows of Resources</b>	
Pension	<u>431,998</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 1,295,890</u>
<b>Net Position</b>	
Net Investment in Capital Assets	1,377,686
Unrestricted	1,773,832
Total Net Position	<u>\$ 3,151,518</u>

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

**TETON COUNTY FIRE PROTECTION DISTRICT**  
**Statement of Activities**  
**Year Ended September 30, 2015**

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	<u>2015</u>
Expenses	
Public Safety - Fire Protection	
Personal services	\$ 2,497,553
Depreciation	<u>177,633</u>
Total Program Expenses	<u>2,675,186</u>
Program Revenues	
Operating Grants and Contributions	<u>500</u>
Net Program Expenses	<u>2,674,686</u>
General Revenues	
Property Taxes	2,050,272
State Taxes	112,078
Investment Earnings	4,271
Gain on Pension Expense	34,974
Miscellaneous	<u>233,670</u>
Total General Revenues	<u>2,435,265</u>
Change in Net Position	(239,421)
Net Position - Beginning of the Year	<u>3,390,939</u>
Net Position - End of the Year	<u>\$ 3,151,518</u>

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

**TETON COUNTY FIRE PROTECTION DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2015**

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	<u>2015</u>
<b>Assets</b>	
Cash and Investments	\$ 2,545,508
Receivables:	
Teton County--Property Taxes	167,880
Other Receivables	<u>4,783</u>
Total Assets	<u>\$ 2,718,171</u>
<b>Liabilities and Fund Balances</b>	
<b>Liabilities</b>	
Accounts Payable	\$ 15,756
Accrued Payroll and Employee Benefits	<u>108,696</u>
Total Liabilities	<u>124,452</u>
Deferred Inflows of Resources	
Unavailable Revenues	<u>148,470</u>
<b>Fund Balances:</b>	
Committed	19,886
Unassigned	<u>2,425,363</u>
Total Fund Balances	<u>2,445,249</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,718,171</u>

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



**TETON COUNTY FIRE PROTECTION DISTRICT**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**September 30, 2015**

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	<u>2015</u>
Total Fund Balance - Governmental Funds	\$ 2,445,249
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of assets is \$5,199,300 and the accumulated depreciation is \$3,821,614	1,377,686
Pension contributions are reported as expenses in the fund financial statements in the period in which they are paid. The actuarially determined pension liability is recorded on the government-wide statements.	(819,887)
Certain receivables are not financial resources and are reported as deferred revenues:	
Property tax deferred revenue	<u>148,470</u>
Total Net Position - Governmental Activities	<u>\$ 3,151,518</u>

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

**TETON COUNTY FIRE PROTECTION DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**Year Ended September 30, 2015**

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	<u><b>2015</b></u>
Revenues	
Property Taxes	\$2,056,121
State Sales Tax	112,078
Interest Earned	4,271
Miscellaneous	233,670
Grant Revenue	<u>500</u>
Total Revenues	<u>2,406,640</u>
Expenditures	
General and Administrative	2,497,553
Capital Outlay	<u>239,816</u>
Total Expenditures	<u>2,737,369</u>
Net Change in Fund Balance	<u>(330,729)</u>
Fund Balance at Beginning of Year	<u>2,775,978</u>
Fund Balance at End of Year	<u>\$2,445,249</u>

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

**TETON COUNTY FIRE PROTECTION DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**Year Ended September 30, 2015**

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	<u>2015</u>
Net Changes in Fund Balances - Total Governmental Funds	\$ (330,729)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial individual cost of more than \$1,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital exceed depreciation in the current period.	
Capital expenditures capitalized as fixed assets	239,816
Depreciation expense	(177,633)
The governmental fund report current pension contributions as an expenditure. However, the amount recorded in the statements of activities represents the difference in the actuarially determined pension liability from the previous year to the current year.	
	34,974
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes	<u>(5,849)</u>
Change in Net Position of Governmental Activities	<u>\$ (239,421)</u>

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

**TETON COUNTY FIRE PROTECTION DISTRICT**  
**Statements of Fiduciary Net Position**  
**Agency Fund**  
**September 30, 2015**

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	<u>2015</u>
<b>Assets</b>	
Cash and Investments	<u>\$ 6,924</u>
Total Assets	<u>6,924</u>
 <b>Liabilities</b>	
Due to Other Agencies	<u>6,924</u>
Total Liabilities	<u>\$ 6,924</u>

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

**TETON COUNTY FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2015**

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**1. Summary of Significant Accounting Policies**

Teton County Fire Protection District (the District) was created in 1997 as a separate legal entity to levy tax and provide fire protection services. The basic operations are financed through property and sales tax revenues collected by Teton County and remitted to Teton County Fire Protection District. These revenues and operations are reflected in the general fund.

The financial statements of the Teton County Fire Protection District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statements of Net Position and the Statements of Activities) report information on all of the non-fiduciary activities of the District.

The Statements of Activities demonstrate the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements and fiduciary statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues 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.

**TETON COUNTY FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2015**

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**1. Summary of Significant Accounting Policies (Continued)**

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, early retirement, arbitrage rebates, and post employment healthcare benefits, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have, therefore, been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be accrued as revenue of the current period. All other revenue items are considered to be measurable and available only when the District receives cash.

The District reports the following major governmental fund:

- The General Fund is the District’s primary operating fund. It is used for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the District reports the following fund type:

- The *Agency Funds (a fiduciary fund)* accounts for assets held on behalf of the firemen of the District.

**Capital Assets**

Capital assets used in governmental fund type operations (those items which relate to the general activities and services of the District) are accounted for in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$1,000, with an estimated useful life in excess of two years. Depreciation is provided on property, plant and equipment using the straight-line method over the following estimated useful lives of the related assets:

Computers .....	5 years
Office Equipment.....	5 years
Vehicles.....	5 years
Equipment.....	7 years
Buildings.....	39 years

**TETON COUNTY FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2015**

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**1. Summary of Significant Accounting Policies (Continued)**

**Budgetary Policy**

The District prepares one budget which includes the operations of the General Fund. The statements of revenues, expenditures, and changes in fund balances budget and actual—General Fund, present comparisons of the legally adopted budget with actual data on a budgetary basis. Under Idaho Code, the District's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, except as allowed by the Code for certain events. During the fiscal year ended September 30, 2015, the District did not amend the budget.

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District because it is not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

**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.

**Pensions**

For the purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Retirement System of Idaho Based 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.

**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, deferred outflows of resources, 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 Fire District has one type of deferred outflows of resources. This amount relates to the District's allocable share of the effect of changes of assumptions during the year on the valuation of the net pension liability. This amount is reportable only in the government-wide financial statements.

**TETON COUNTY FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2015**

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**1. Summary of Significant Accounting Policies (Continued)**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Fire District has two types of items in this area. One item, which arises only under a modified accrual basis of accounting, unavailable revenue, is reported only in the governmental funds balance sheet and represents unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. This is reported in the governmental funds. The second type of deferred inflows of resources relates to the effect on the calculation of the net pension liability of the difference between projected and actual investment earnings on the defined benefit pension plan. This is reported in the government-wide financial statements.

**New Accounting Pronouncements**

During the year, the District implemented *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*, (GASB No. 68). This Statement addresses accounting and financial reporting for pensions that are provided to the employees, of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics: 1) Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable, 2) Pension plan assets are dedicated to providing pensions to plan members in accordance with benefit terms. 3) Pension plan assets are legally protected from creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members. The Statement established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenditures. This Statement also identifies the methods and assumptions that should be used to project benefit payments, discount project benefit payments to their actuarial present value and attribute that present value to periods of employee service.

The District also implemented *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. This Statement is an amendment to GASB No 68 and is required to be implemented simultaneously with GASB No. 68. This Statement requires the District to recognize a beginning deferred outflow of resources for its pension contributions, if any were made subsequent to the measurement date of the beginning net pension liability.



**TETON COUNTY FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2015**

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**2. Cash and Short-Term Investments**

The District is authorized under Idaho Code to invest in cash, certificates of deposit, U.S. Government securities, commercial paper, and repurchase agreements. All investments must be held by, or registered in the name of, the District.

Cash balances of most of the Districts' funds are pooled and invested. Interest earned from investments purchased with pooled cash is allocated to each of the funds based on the fund's cash balance. The District maintains one primary checking account and an account for each fiduciary fund with local banks where a minimum balance is maintained. All excess funds are then invested in time certificates of deposit and with the State Treasurer's pooled cash investment account. This account invests in time certificates of deposit, local government tax anticipation notes, federal loans, U.S. treasury notes and other U.S. governmental securities. Information regarding insurance or collateralization of amounts invested in the pooled accounts is not available.

The District's cash accounts are insured through the Federal Deposit Insurance Corporation up to \$250,000 per depository. This will be in effect until December 31, 2015.

1. Deposits – At September 30, 2015 the carrying amount of the District's deposits was \$294,981 and the respective bank balances totaled \$319,534. Of the bank balances, \$293,967 was insured.
2. 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. As of September 30, 2015, \$25,567 of the District's bank balances of \$319,534 were not covered by federal depository insurance, and thus were exposed to custodial credit risk.
3. Investments – As of September 30, 2015 the District had had the following investments:

Investments:	Fair Value	Less			More
		Than 1	1-5	6-10	Than 10
State Treasurer's Pool	\$ 457,451	\$ 457,451	\$ -	\$ -	\$ -
Money Market Funds	346,177	346,177	-	-	-
Corportate Bonds	1,153,736	-	511,894	641,842	-
Treasuries	99,815	-	99,815	-	-
Government Agencies	200,272	-	200,272	-	-
	<u>\$ 2,257,451</u>	<u>\$ 803,628</u>	<u>\$ 811,981</u>	<u>\$ 641,842</u>	<u>\$ -</u>

4. Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investments. The State diversifies these funds to reduce this risk.
5. Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from changes in interest rates, the District structures its portfolio so that securities mature to meet cash requirements for ongoing operations. Because the State Investment Pool as of September 30, 2015, had a weighted average maturity of 145 days, it was presented as an investment with a maturity of less than one year.

**TETON COUNTY FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2015**

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**2. Cash and Short-Term Investments (Continued)**

6. Credit Risk – Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. 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.

The following is a reconciliation of the District’s deposit and investment balances as of September 30, 2015:

	<u>2015</u>
Bank Deposits	\$ 294,981
Investments	<u>2,257,451</u>
Totals	<u>\$ 2,552,432</u>

Deposits and Investments per financial statements at September 30, 2015:

	<u>2015</u>
Governmental Funds	\$ 2,545,508
Fiduciary Funds	<u>6,924</u>
Totals	<u>\$ 2,552,432</u>

**3. Agency Funds**

The District manages the following funds in a fiduciary capacity only at September 30, 2015:

	<u>2015</u>
Burnout fund	<u>\$ 6,924</u>
Totals	<u>\$ 6,924</u>

These agency funds are accounts established by the firemen for specific purposes and are controlled by those individuals. The District has no control over the funds. It holds the funds in trust for those groups.

**TETON COUNTY FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2014 and 2013**

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**4. Property Taxes**

Property taxes of the District are based on the assessments against property owners as of the first Monday in January of the calendar year in which the fiscal year commences. Tax levies on such assessed values are certified to the County prior to the commencement of the fiscal year.

Taxes are collected by Teton County and remitted to the District primarily in January and July of the fiscal year. Accordingly, the tax revenues for the fiscal year ended September 30, 2015, are based on the assessed values and tax revenues established in 2014. The District defers recognition of property taxes assessed but not collected within 60 days of the fiscal year-end. Such amounts will be recognized as revenues in the fiscal year they become available.

**5. Capital Assets**

Capital asset activity for the year ended September 30, 2015 was as follows:

	September 30, 2014	Increases	Decreases	September 30, 2015
<b>GOVERNMENTAL ACTIVITIES:</b>				
Capital Assets not being depreciated:				
Land	\$ 59,000	\$ -	\$ -	\$ 59,000
Capital Assets being depreciated:				
Buildings and Improvements	907,648	239,816	-	1,147,464
Equipment and Vehicles	3,992,836	-	-	3,992,836
Total Capital Assets being depreciated	4,900,484	239,816	-	5,140,300
Less Accumulated Depreciation	(3,643,981)	(177,633)	-	(3,821,614)
Total Capital Assets being depreciated, net	1,256,503	-	-	1,318,686
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>	<b>\$ 1,315,503</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,377,686</b>

**TETON COUNTY FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2015**

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**6. Retirement Plans**

*Plan Description*

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

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

Employee membership data related to the PERSI Base Plan, as of June 30, 2015, was as follows:

Retirees and beneficiaries currently receiving benefits	42,657
Terminated employees entitled to but not yet receiving benefits	11,859
Active plan members	<u>67,008</u>
	<u>121,524</u>

*Pension Benefits*

Public Employee Retirement System of Idaho (PERSI) – The PERSI Base Plan, a cost-sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on members’ years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighters) of the average monthly salary for the highest consecutive 42 months.

**TETON COUNTY FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2015**

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**6. Retirement Plans (continued)**

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 actuarially determined contribution requirements of the Teton County Fire Protection District and its employees are established, and may be amended by, the PERSI Board of Trustees. For the year ended September 30, 2015, the required contribution rate as a percentage of covered payrolls for members was 6.79% for general members and 8.36% for firefighter members. The employer rate as a percent of covered payroll was 11.32% for general members and 11.66% for firefighter members. The Teton County Fire Protection District contributions required and paid were \$184,998, \$168,532, and \$150,326 for the three years ended September 30, 2015, 2014, and 2013, respectively.

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

At September 30, 2015, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, 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 July 1, 2015, the District's proportion was 0.056 percent. For the year ended September 30, 2015, the District recognized pension expense (revenue) of \$(34,973). At September 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**TETON COUNTY FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2015**

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**6. Retirement Plans (Continued)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 272,134	\$ 388,306
Changes in assumptions or other inputs	26,929	-
Net difference between projected and actual earnings on pension plan investments	-	88,643
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	-	(44,951)
Employer contributions subsequent to the measurement date	<u>52,488</u>	<u>-</u>
Total	<u>\$ 351,551</u>	<u>\$ 431,998</u>

\$52,488 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, 2016.

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, 2014, the beginning of the measurement period ended June 30, 2015, is 5.5 years.

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:

**Fiscal Year**

2016 .....	\$ (67,678)
2017 .....	(67,678)
2018 .....	(67,678)
2019 .....	63,227
2020 .....	2,786
2021 .....	4,087

**TETON COUNTY FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2015**

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**6. Retirement Plans (continued)**

*Actuarial Assumptions*

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

The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.25 - 10.25%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expenses
Cost-of-living adjustments	1%

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

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

An experience study was performed in 2012 for the period July 1, 2007 through June 30, 2011 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2015 is based on the results of an actuarial valuation date of July 1, 2015.

**TETON COUNTY FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2015**

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**6. Retirement Plans (continued)**

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, 2014.

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Core Fixed Income	Barclays Aggregate	30.00%	0.80%
Broad US Equities	Wilshire 5000/Russell 3000	55.00%	6.90%
Developed Foreign Equities	MSCI EAFE	15.00%	7.55%
Assumed Inflation - Mean			3.25%
Assumed Inflation - Standard Deviation			2.00%
Portfolio Arithmetic Mean Return			8.42%
Portfolio Long-Term Expected Rate of Return			7.50%
Assumed Investment Expenses			0.40%
<b>Long-Term Expected Rate of Return, Net of Investment Expenses</b>			<b>7.10%</b>

\*Arithmetic return



**TETON COUNTY FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2015**

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**6. Retirement Plans (continued)**

*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:

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
	<b>(6.10%)</b>	<b>Discount Rate</b>	<b>(8.10%)</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Employer's proportionate share of the net pension liability (asset)	\$ 1,801,007	\$ 739,440	\$ (143,112)

*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](http://www.persi.idaho.gov).

**TETON COUNTY FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2015**

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**7. Prior Period Adjustment**

Below is a summary of the balances affected by the prior period adjustment:

	<u>Previously Reported</u>	<u>Change</u>	<u>Restated</u>
Statement of Net Position:			
Deferred outflow of resources	-	80,984	80,984
Deferred inflows of resources	-	542,074	542,074
Net Pension Liability	-	393,771	393,771
Net Position	4,245,800	(854,861)	3,390,939

In the year ended September 30, 2015, the District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions. The statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures related to defined benefit pension plans.

**8. Referendum**

On July 15, 2013, a referendum was passed by the Class II Firefighters of the District who are eligible for PERSI. This referendum opted the employees' wages out of Federal Social Security Coverage for the above class of employee. This will be effective for their wages for 2007, 2010, 2011 and 2012 going forward. The District amended their payroll taxes for those years and the employer portion of the tax will be refunded to the District. The total amount that was received by the District was \$459,877. This comprised both the employee and employer portion of the refund the District distributed the employee portion and contributed the employer portion to PERSI for the benefit of the employees in the amount of \$225,651. The Class I General Service employees did not pass the same referendum.

**9. Subsequent Events**

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through February 29, 2016, the date the financial statements were available to be issued.

**TETON COUNTY FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2014 and 2013**

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**10. Fund Balances**

Fund balance is classified depending on the relative strength of the spending constraints placed on the purposes for which resources can be used as follows:

Committed fund balance – amounts that can only be used for specific purposes, pursuant to constraints imposed by formal action of the government’s highest level of decision making authority. In this case of the district it is by board action.

Unassigned fund balance – amounts that represent 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. In other governmental funds, it may be necessary to report a negative residual balance as unassigned.

Details of constraints on fund balances of governmental funds:

Fund Balances:

	<u>2015</u>
Committed to:	
Capital improvements	\$ 19,886
Unassigned	<u>2,425,363</u>
Totals	<u>\$ 2,445,249</u>

Required Supplementary Information

**TETON COUNTY FIRE PROTECTION DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund**  
**Balances - Budget and Actual - General Fund**  
**Year Ended September 30, 2015**

	<b>Original and Final Budgeted Amount</b>	<b>Actual Amounts Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
Revenues			
Property Taxes	\$ 2,057,000	\$ 2,056,121	\$ (879)
State Sales Tax	110,000	112,078	2,078
Interest Earned	50,000	4,271	(45,729)
Miscellaneous	5,000	233,670	228,670
Grant Revenues	-	500	500
	<u>2,222,000</u>	<u>2,406,640</u>	<u>184,640</u>
Total Revenues			
Expenditures			
General and Administrative	2,222,000	2,497,553	(275,553)
Capital Outlay	-	239,816	(239,816)
	<u>2,222,000</u>	<u>2,737,369</u>	<u>(515,369)</u>
Total Expenditures			
Excess of Revenues Over Expenditures	-	(330,729)	(330,729)
Fund Balance at Beginning of Year	<u>2,541,933</u>	<u>2,775,978</u>	<u>234,045</u>
Fund Balance at End of Year	<u>\$ 2,541,933</u>	<u>\$ 2,445,249</u>	<u>\$ (96,684)</u>

See Independent Auditor's Report

**TETON COUNTY FIRE PROTECTION DISTRICT**  
**Schedule of Employers's Share of Net Pension Liability**  
**PERSI Base Plan - Last 10 Fiscal Years\***

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	<u>2015</u>
Employer's Portion of net the pension liability	0.056%
Employer's proportionate share of the net pension liability	\$ 739,440
Employer's covered-employee payroll	\$ 1,589,733
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	46.51%
Plan fiduciary net position as a percentage of the total pension liability	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.

Data reported is measured as of September 30, 2015 (measurement date).

**TETON COUNTY FIRE PROTECTION DISTRICT**  
**Schedule of Employers's Contribution**  
**PERSI Base Plan - Last 10 Fiscal Years\***

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	<u>2015</u>
Statutorily required contribution	\$ 183,677
Contributions in relation to the statutorily required contribution	184,998
Contribution (deficiency) excess	1,321
Employer's covered-employee payroll	1,589,733
Contributions as a percentage of covered-employee payroll	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, the District will present information for those years for which information is available.

Data reported is measured as of September 30, 2015.

## Other Information





**Independent Auditors' 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***

To the Commissioners  
Teton County Fire Protection District  
Driggs, 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 Teton County Fire Protection District, as of the year ended September 30, 2015 and the related notes to the financial statements, which collectively comprise Teton County Fire Protection District's basic financial statements, and have issued our report thereon dated February 29, 2016 .

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Teton County 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 Teton County Fire Protection District's internal control. Accordingly, we do not express an opinion on the effectiveness of Teton County 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.

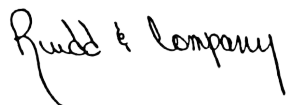
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 Teton County 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.



Rexburg, Idaho  
February 29, 2016