

CENTRAL VALLEY FIRE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2022

TABLE OF CONTENTS

Independent auditor's report	1
Management's discussion and analysis	4
Basic financial statements:	
Statement of net position	9
Statement of activities	10
Balance sheet	11
Reconciliation of the balance sheet of the governmental fund to the statement of net position	12
Statement of revenues, expenditures and changes in fund balance	13
Reconciliation of the statement of revenues, expenditures and changes in fund balance of the governmental fund to the statement of activities	14
Notes to the financial statements	15
Required supplementary information:	
Schedule of proportionate share of net pension liability	35
Schedule of contributions	36
Schedule of revenues, expenditures and changes in fund balance - budget and actual - general fund	37
Notes to the required supplementary information	38
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 <i>Government Auditing Standards</i>	42
Schedule of findings and questioned costs	44
Summary schedule of prior audit findings	45



3382 Monida Street
Bozeman, Montana 59718
Tel: 406.209.0411
barndtcpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Central Valley Fire District
Belgrade, Montana

Report on the Financial Statements

Opinions

I have audited the accompanying financial statements of the governmental activities and the major fund of Central Valley Fire District (District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Central Valley Fire District as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the District and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. My opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

Responsibilities of Management for the Financial Statements (Continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 8 and required supplementary information on pages 35-41, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 15, 2023 on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the District's 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.

Rosie Barnett, CPA, PC

February 15, 2023

CENTRAL VALLEY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022

The following Management's Discussion and Analysis provides an overview of Central Valley Fire District's financial activities for the fiscal year ended June 30, 2022. Please review this report along with the District's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- EMS transport services generated \$1,011,265 in revenue
- Received \$98,643 in Federal SAFER Grant funding for staffing
- Received \$93,918 in Fire Code Review Fees

USING THIS ANNUAL REPORT

The statement of net assets and the statement of activities

The statements of net assets and activities report information about the District as a whole. These statements include *all* assets and liabilities of the District using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies; all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. Net position is the difference between assets and liabilities, which is one way to measure the District's financial health or financial position. Over time, increases and decreases in the District's net position are one indicator of its financial soundness. However, to assess the overall financial position of the District, consideration should be given to other nonfinancial factors in making an assessment of the District's fiscal health, such as changes in the economy and changes in the District's tax base, etc.

Fund financial statements

The District reports all of its activities in the general fund, which is a governmental fund. This fund is the mechanism for how money flows into and out of this fund and the balance left at year-end that is available for reallocation. This fund uses the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. The differences between the governmental fund financial statements and the government-wide financial statements are explained in the reconciliations following each governmental fund financial statement.

CENTRAL VALLEY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022

Table 1 provides a summary of the District's net position at June 30, 2022 and 2021.

(Table 1)
Net Position

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Current assets	\$ 7,040,273	\$ 7,636,755
Capital assets, net	<u>12,586,892</u>	<u>11,108,779</u>
Total assets	<u>19,627,165</u>	<u>18,745,534</u>
Deferred outflows of resources - pension	<u>1,235,636</u>	<u>1,308,369</u>
Current liabilities	533,164	514,828
Non-current liabilities	<u>5,394,898</u>	<u>6,526,177</u>
Total liabilities	<u>5,928,062</u>	<u>7,041,005</u>
Deferred inflows of resources	<u>699,538</u>	<u>11,554</u>
Net position:		
Net investment in capital assets	8,431,484	6,804,913
Restricted for apparatus and facilities	936,888	1,650,581
Unrestricted net position	<u>4,866,829</u>	<u>4,545,850</u>
Total net position	<u>\$ 14,235,201</u>	<u>\$ 13,001,344</u>

CENTRAL VALLEY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022

The following table presents the changes in the District's net assets for the fiscal years ending June 30, 2022 and 2021:

(Table 2)
Changes in Net Position

	<u>2022</u>	<u>2021</u>
General revenues:		
Taxes	\$ 5,910,881	\$ 4,221,376
Intergovernmental revenues	787,836	2,034,304
Investment earnings	26,142	23,915
Miscellaneous	<u>146,826</u>	<u>352,249</u>
Total general revenues	<u>6,871,685</u>	<u>6,631,844</u>
Program revenues:		
Charges for service	1,052,681	1,056,465
Operating grants	<u>98,643</u>	<u>1,352,420</u>
Total program revenue	<u>1,151,324</u>	<u>2,408,885</u>
 Total revenue	 <u>\$ 8,023,009</u>	 <u>\$ 9,040,729</u>
Expenses:		
Public safety	\$ 6,818,897	\$ 6,472,185
Less program revenues	<u>(1,151,324)</u>	<u>(2,408,885)</u>
Net expenses	5,667,573	4,063,300
 General revenues	 <u>6,871,685</u>	 <u>6,631,844</u>
 Change in net position	 <u>1,204,112</u>	 <u>2,568,544</u>
 Net position - beginning	 13,001,344	 10,432,800
 Prior period adjustment	 29,745	 -
 Net position - beginning - restated	 <u>13,031,089</u>	 <u>10,432,800</u>
 Net position - ending	 <u>\$ 14,235,201</u>	 <u>\$ 13,001,344</u>

CENTRAL VALLEY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022

CAPITAL ASSET AND DEBT ADMINISTRATION

In fiscal year 2022, the District placed an order for two fire engines. They are expected to be delivered in April of 2023. The focus of the District is to build and sustain capital reserve program for apparatus replacement and future fire department facility needs. The District maintained an Operational Reserve of 1/2 the annual Operations and Personnel budget.

DISTRICT OVERVIEW

The 200-square mile Central Valley Fire District (CVFD) provides fire and emergency services to the urban, suburban and rural areas in and around the City of Belgrade; north Four Corners, Dry Creek, Reese Creek, River Rock, Valley Center, and Springhill corridor. The District provides service to the Bozeman Yellowstone Airport through an Interlocal Agreement with the Gallatin Airport Authority. The District holds an Insurance Services Office Public Protection Class rating of 3.

The culmination of six years legislative and public education work resulted in the City of Belgrade annexing into the District with a 97% affirmative vote of city residents. Starting in FY 2022, city residents pay taxes directly to the District for emergency services.

THE FUTURE OF THE DISTRICT

The District continues to experience unprecedented growth. The influx of people has created a housing shortage coupled with very inflated housing prices. This has caused a challenge for a number of public safety entities and other employers in the valley to find and keep staffing.

The District has established a joint training academy in the Gallatin Valley with the other career fire departments (City of Bozeman and Big Sky Fire Department). The purpose is to share resources and improve the interoperability of the fire departments in the region improving effectiveness, and potentially reducing costs.

The annual budget provides detail of revenue sources, both on-going and time limited; a realistic estimate of program management expense; provides a 6-month Operational Reserve Fund and the funding of both facilities and apparatus capital improvement reserves.

The following summary identifies goals that have been accomplished and forecasts those yet needing to be done if growth continues.

- FY 18 - Began EMS transport program; ordered replacement ambulance for delivery in FY19, staff Station 2.
- Passed 14 mill levy the spring of 2018 for Station 1 construction and future CIP.
- FY's 18/19 - Built and moved into new Station 1, replaced an ambulance and upgraded the ladder truck.
- FY19 - Hire and train 6 SAFER grant funded firefighters to Staff Station 3 in FY2020
- FY 21 – Passed 10 mil levy

CENTRAL VALLEY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022

THE FUTURE OF THE DISTRICT (continued)

- FY 21 – Hired Fleet Manager/Mechanic
- FY 21 – Specs developed to replace Engines 5-7 & 5-5
- FY 22 – Started regional fire academy to share costs and create regional response efficiencies
- FY 22 – Ordered 2 fire engines to replace those nearing their end of life
- FY 22 – Implemented a new 3-year Collective Bargaining Agreement
- FY 22 – Hired Fire Life Safety Specialist/Facility Manager
- FY 22 – Hired eleven firefighters – replacement and upstaffing
- FY 22 – Start design of Station 6 south of Belgrade/River Rock, Lease land from DNRC
- FY 22 – Filled Battalion Chiefs positions, update and publish 15-year Equipment Replacement Fund
- FY 22 – Focus on regional partnerships for improved relationships and potential cost avoidance and/or cost reductions in delivery of training, responses, and fleet maintenance.
- FY 22 – Received State grant funding to cover the salaries for two paramedics for community health care training until April 2024 (FY 24)
- FY 23 – Institute a Reserve Program to help augment staffing
- FY 23 – Purchase new ambulance to be delivered in FY 24
- FY 23 – Purchase two new command units, down fleet older units to reserve
- FY 23 – Placing into service a transport unit to support increased call volume and keeping units in service as funding allows
- FY 24 – Re-chassis ambulance to create a cost-efficient way to increase the life of an ambulance
- FY 24 – Administrative support position to provide for succession planning
- FY 25 – Hire 2nd Mechanic to stay with in equipment maintenance compliance
- Future –Possible functional consolidations with surrounding fire departments

BUDGET ANALYSIS

The continued focus of the Fiscal Year 2022 budget was to provide value-based emergency services to the citizens and develop sustainable CIP reserves to be available for the growth of the district.

- The District came in slightly under budget. Unspent FY22 revenue was carried forward to cover the increase needed for the FY22 Operational Reserve Fund
- All projections relating to EMS transport revenue generation were exceeded
- All projections relating to Fire Code Review revenue generation were exceeded
- All projections relating to Grant revenue generation were exceeded

Having a multiple source base of revenue to fund District operations continues to prove to be a sound business practice. While tax revenue continues to be the leading source of funds, EMS transport, grants, and contract services contributes a significant amount of revenue to the District.

CENTRAL VALLEY FIRE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022

Governmental Activities:

ASSETS

Cash and cash equivalents	\$	6,674,528
Receivables:		
Ambulance fees, net		211,993
Property taxes		110,618
Other		43,134
Capital assets, nondepreciable		530,227
Capital assets, depreciable, net		<u>12,056,665</u>
Total assets		<u>19,627,165</u>

DEFERRED OUTFLOWS OF RESOURCES

1,235,636

LIABILITIES

Accounts payable		217,791
Accrued interest payable		134,859
Accrued payroll liabilities		171,713
Credit cards payable		8,801
Long-term liabilities:		
Due within one year		289,446
Due after one year		<u>5,105,452</u>
Total liabilities		<u>5,928,062</u>

DEFERRED INFLOWS OF RESOURCES

699,538

NET POSITION

Net investment in capital assets		8,431,484
Restricted for apparatus and facilities		936,888
Unrestricted		<u>4,866,829</u>
Total net position	\$	<u><u>14,235,201</u></u>

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

CENTRAL VALLEY FIRE DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

<u>Governmental Activities:</u>	Expenses	<u>Program Revenue</u>		Net (Expenses) Revenue
		Charges for Services	Operating Grants	
Public safety - fire protection	<u>\$ 6,818,897</u>	<u>\$ 1,052,681</u>	<u>\$ 98,643</u>	<u>\$ (5,667,573)</u>
General revenues				
Property taxes				5,910,881
Intergovernmental				787,836
Miscellaneous				146,826
Investment earnings				<u>26,142</u>
Total general revenues				<u>6,871,685</u>
Change in net position				<u>1,204,112</u>
Net position - beginning				13,001,344
Prior period adjustment				<u>29,745</u>
Net position - beginning - restated				<u>13,031,089</u>
Net position - ending				<u>\$ 14,235,201</u>

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

CENTRAL VALLEY FIRE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2022

ASSETS

Cash and cash equivalents	\$	6,674,528
Receivables:		
Ambulance fees, net		211,993
Property taxes		110,618
Grants		39,106
Other		<u>4,028</u>
 Total assets	 \$	 <u><u>7,040,273</u></u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES

Liabilities:		
Accounts payable	\$	217,791
Accrued payroll liabilities		171,713
Credit cards payable		<u>8,801</u>
 Total liabilities		 <u>398,305</u>
Deferred inflows of resources:		
Unavailable property taxes		<u>34,955</u>
 Total deferred inflows of resources		 <u>34,955</u>
Fund balances:		
Restricted for:		
Apparatus and facilities		936,888
Committed		103,190
Unassigned		<u>5,566,935</u>
Total fund balances		<u>6,607,013</u>
 Total liabilities, deferred inflows, and fund balances	 \$	 <u><u>7,040,273</u></u>

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

CENTRAL VALLEY FIRE DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF THE
GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total fund balance, governmental fund	\$ 6,607,013
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund.	12,586,892
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental fund.	
Deferred outflows of resources - pensions	1,235,636
Deferred inflows of resources - pensions	(699,538)
Property taxes not received within 60 days of year-end are not available to pay current period expenditures and, therefore, are deferred in the governmental fund.	34,955
Some liabilities, including compensated absences and net pension liability, are not due and payable in the current period and, therefore, are not included in the governmental fund.	(1,374,349)
Liabilities related to debt issues are not recognized in the governmental fund until due.	
Principal balance	(4,020,549)
Interest payable	<u>(134,859)</u>
Net position of governmental activities	<u><u>\$ 14,235,201</u></u>

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

CENTRAL VALLEY FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2022

Revenues:	
Property taxes	\$ 5,941,780
Intergovernmental	890,705
Charges for services	1,165,714
Operating grants	98,643
Miscellaneous	146,826
Investment earnings	<u>26,142</u>
Total revenues	<u>8,269,810</u>
Expenditures:	
Current	
Public safety - fire protection:	
Personnel services	5,057,996
Supplies	579,568
Purchased services	748,036
Fixed charges	40,818
Capital outlay	1,891,978
Debt service	
Principal	283,317
Interest	<u>140,988</u>
Total expenditures	<u>8,742,701</u>
Excess (deficiency) of revenues over expenditures	(472,891)
Fund balances - beginning	<u>7,079,904</u>
Fund balances - ending	<u><u>\$ 6,607,013</u></u>

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

CENTRAL VALLEY FIRE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

Net change in fund balances \$ (472,891)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	1,891,978
Depreciation expense	(443,610)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental fund:

Increase (decrease) in unavailable property taxes	(30,899)
Increase (decrease) in unavailable ambulance revenue	(113,033)
State pension aid (on-behalf payment)	(102,869)

The governmental fund reports principal repayments as expenditures. In contrast, these reduce the liability in the statement of net position. 283,317

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund:

Compensated absences	51,143
Adjustment to actuarial pension expense	138,972
Accrued interest payable	<u>2,004</u>

Change in net position of governmental activities \$ 1,204,112

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

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Central Valley Fire District (the District) is organized and operated under the provisions of Title 7, Chapter 33, Part 21, Montana Code Annotated, to provide fire protection for the rural area in the vicinity of Belgrade, Montana. It is a separate political entity established by the Gallatin County Commissioners, the affairs of which are governed and managed by an elected Board of Trustees (the Board). The County levies and collects taxes to fund the District's budget, and the Gallatin County Treasurer serves as Treasurer of the District. The District is not a component unit of another entity and has no component units.

Basis of Presentation - Government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the activities of the District. Governmental activities, which are supported by taxes, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. For the year ended June 30, 2022, the District did not have any business-type activities.

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. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and include operating grants. For the year ended June 30, 2022, the District received program revenue from ambulance and fire protection services provided. Taxes and other items are reported as general revenues.

Basis of Presentation - Fund Financial Statements

The District has one fund: the general fund. This fund accounts for all revenues and expenditures of the District. The fund financial statements provide information about the general fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. On an accrual basis, revenues from property taxes and benefit assessments are recognized in the year for which the taxes and assessments are levied and revenue from investments is recognized when earned. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Tax revenues are accrued when their receipt occurs within sixty days after the end of the accounting period; other revenues are accrued when their receipt occurs within six months after the end of the accounting period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Investments

Cash is held by the County Treasurer and pooled in the County external investment pool. The fair value of the position in the pool is the same as the value of the pool shares. The County Treasurer invests the pooled cash pursuant to state law (MCA 20-9-213[4]). Allowable investments include time and savings deposits with a bank, savings and loan association, or credit union in the state, obligations of the United States Government, securities issued by agencies of the United States, repurchased agreements, and the State Short-Term Investment Pool (STIP).

The audited financial statements of Gallatin County, which include information about the investment pool, are available at <https://lgs.mt.gov/>.

Ambulance Receivable

The District charges for the ambulance services which it provides. Most of the invoices are submitted to insurance companies and are subject to billing adjustments. Based on the District's estimate, the receivable and related revenue have been reduced by approximately \$146,000 as an allowance for uncollectibles.

Taxes Receivable

Property tax levies are set by the County, in connection with the budget process, and are based on taxable values listed as of January 1 for all real property located in the District. Taxable values are established by the Montana District of Revenue based on market values. A revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

Real property taxes and special assessments are generally billed in October and are payable one half by November 30 and one half by May 31. After these dates, taxes and assessments become delinquent and become a lien on the property. Personal property is assessed and personal property taxes are billed throughout the year, with a significant portion generally billed in May, June, and July. Personal property taxes are based on levies set during the prior August. These taxes become delinquent 30 days after billing. Taxes and assessments that become delinquent are charged interest at the rate of 5/6 of 1% per month from the time of delinquency until paid plus a penalty of 2%. Real property on which taxes and assessments remain delinquent and unpaid may be sold at tax sales. In the case of personal property, the property is seized and sold after the taxes become delinquent.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include land, building and improvements, vehicles, and equipment, are reported on the statement of net position. All capital assets with a purchase price over \$5,000 are capitalized. Such assets are recorded at historical cost. Donated property and materials are recorded at their fair market value as of the date of the donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized.

Building, building improvements, vehicles and equipment are depreciated using the straight-line method over the following estimated useful lives:

Building	40
Building improvements	5-40
Equipment	3-10
Furniture	10
Vehicles	5-15

Compensated Absences

District employees accumulate vacation and sick leave for later use or for payment upon termination, death, or retirement. The governmental fund type (i.e. the general fund) recognizes the expenditure when the benefits are paid. The balance of vested employee's vacation and sick leave is recorded as a liability in the statement of net position.

District employees earn vacation leave at the rate of 15 days per year during the first ten years of employment, and at increasing rates thereafter to a maximum of 24 days per year after 20 years of employment. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is the amount earned in the most recent two-year period. Any excess leave must be used by March 30 of the following year. At termination, employees are paid for any accumulated vacation leave, up to the maximum accumulation, at the current rate of pay.

District employees earn sick leave at the rate of one day per month. There is no limit on the accumulation of sick leave days. However, upon termination, only 25% of accumulated sick leave is paid.

Restricted Property Taxes

As of June 30, 2022, the District had a restricted fund balance/net position of \$936,888 for unspent property taxes which are restricted for payment of construction of improvements on land owned or leased by the District and the purchase of firefighting and emergency response apparatus and equipment.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fire Protection Impact Fee Revenues

Gallatin County has collected fire protection impact fees from subdivisions within the District's benefit area and accounts for the collections in a separate deposit fund for the District. The impact fees may be used only to pay for planning, land acquisition, engineering, design, construction, construction inspection, equipment purchases, and financing costs associated with a specific project to construct or acquire new or expanded fire protection facilities, buildings, and/or equipment that expand the capacity of the District to provide fire protection services within the District and have an average useful life of at least ten years. Any monies in the fire protection impact fee fund that have not been spent or encumbered within ten years of receipt shall be refunded to the land owner with interest accrued at ten percent from the original date of payment. Upon written request from the District, the Gallatin County Commissioners will consider the transfer of monies from the impact fee fund to the District for use on a specific acquisition or construction project.

On June 30, 2022, the County held \$27,960 in the impact fee fund.

Fund Balance

The Government Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

In accordance with GASB 54, the District reports fund balance in two general classifications: non-spendable and spendable. Non-spendable represents the portion of fund balance that is not in spendable form such as prepaid expenses. Spendable fund balance is further categorized as restricted, committed, assigned, and unassigned.

The restricted fund balance category contains balances that can be spent only for the specific purposes stipulated by external parties. External parties include granters, debt covenants, voters, and laws and regulations of other governments.

The committed fund balance category includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, the Board of Trustees. The Board needs to formally adopt a Resolution in order to establish, modify, or rescind a fund balance commitment. As of June 30, 2022, the District had committed fund balances of \$103,190 for an employee benefit plan.

Amounts in the assigned fund balance are to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent can be expressed by the Board of Trustees or by the Fire Chief to which the Board of Trustees delegates that authority.

Unassigned fund balance is the residual classification for the government's general fund.

Fund balances restricted, committed, or assigned for the purpose of capital outlay are only spent upon Board approval. So, it is possible that capital outlay expenditures would reduce unassigned fund balance.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, granters, or laws and regulations of other governments.

Net position restricted for the purpose of capital outlay is only spent upon Board approval.

Implementation of GASB Statement No. 87

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The standard also requires lessors to recognize a lease receivable and deferred inflow of resources.

NOTE 2. CASH AND INVESTMENTS

The composition of cash and investments held by the District as of June 30, 2022, is as follows:

Petty cash	\$ 1,310
Gallatin County External Investment Pool	<u>6,673,218</u>
Total	<u>\$ 6,674,528</u>

The District participates in an investment pool managed by the Gallatin County Treasurer. The pool is not registered with the Securities and Exchange Commission as an investment company and is not subject to regulatory oversight. Investments of the pool consist primarily of repurchase agreements, the State of Montana's Short-Term Investment Pool (STIP), U.S. Treasury Bills, and securities of the U.S. Government, its agencies, or government sponsored entities and are carried at quoted market prices. The fair value of investments is determined annually and is based on quoted market prices. The District's balance in the investment pool is reported as cash in the accompanying financial statements, as the District has full access to these funds upon request. Interest earnings are allocated to the individual funds of the District based on the District's month end balance in relation to the total pool investments.

Montana law allows the local governing body to require security for the portion of deposits not guaranteed or insured. Deposit insurance is administered by the FDIC. Since the District invests in a pool managed by the County Treasurer, pledged securities for the various individual deposits and repurchase agreements are managed by the County Treasurer.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3. CAPITAL ASSETS

Capital asset activity for fiscal year ended June 30, 2022 was as follows:

Governmental activities:	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets, not being depreciated:				
Land	\$ 530,227	\$ -	\$ -	\$ 530,227
Capital assets, being depreciated:				
Buildings	10,708,481	-	-	10,708,481
Equipment	1,402,202	416,531	(9,743)	1,808,990
Furniture	-	-	-	-
Improvements	34,300	-	-	34,300
Vehicles	5,067,295	1,505,192	(211,889)	6,360,598
Total	17,212,278	1,921,723	(221,632)	18,912,369
Less: accumulated depreciation	(6,633,726)	(443,610)	221,632	(6,855,704)
Capital assets, being depreciated, net	<u>10,578,552</u>	<u>1,478,113</u>	<u>-</u>	<u>12,056,665</u>
Governmental activities capital assets, net	<u>\$ 11,108,779</u>	<u>\$ 1,478,113</u>	<u>\$ -</u>	<u>\$ 12,586,892</u>

NOTE 4. LONG-TERM LIABILITIES

Summary of long-term liabilities

Long-term liability activity for the year ended June 30, 2022 was as follows:

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
Note from direct borrowing	\$ 4,303,866	\$ -	\$ (283,317)	\$ 4,020,549	\$ 289,446
Compensated absences	364,259	-	(51,143)	313,116	-
Net pension liability	<u>1,858,052</u>	<u>-</u>	<u>(796,819)</u>	<u>1,061,233</u>	<u>-</u>
Total	<u>\$ 6,526,177</u>	<u>\$ -</u>	<u>\$ (1,131,279)</u>	<u>\$ 5,394,898</u>	<u>\$ 289,446</u>

General Obligation Note

During the year ended June 30, 2019, the District issued a General Obligation Note directly to a local bank for the purpose of financing the construction of Station One. The Note is to be amortized over 15 years, with interest accruing at the rate of 3.18% and payable in annual installments of principal and interest commencing June 30, 2020 and continuing through June 30, 2034. Interest will be added to any delinquent installments at 3.18% from the due date of the installment until payment thereof.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4. LONG-TERM LIABILITIES (CONTINUED)

The approximate annual debt service requirements to maturity for the General Obligation Note as of June 30, 2022 are as follows:

Year ending June 30	Principal	Interest	Total
2023	\$ 289,446	\$ 134,859	\$ 424,305
2024	305,656	118,649	424,305
2025	315,376	108,929	424,305
2026	325,404	98,900	424,304
2027	335,752	88,552	424,304
2028-2032	1,845,870	275,654	2,121,524
2033-2034	603,045	25,471	628,516

NOTE 5. RETIREMENT PLANS

Plan Description – Firefighter’ Unified Retirement System (FURS)

The Firefighters’ Unified Retirement System (FURS), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing defined benefit plan established in 1981, and governed by Title 19, chapters 2 & 13, MCA. This plan provides retirement benefits to firefighters employed by first- and second-class cities, other cities and rural fire districts that adopt the plan, and to firefighters hired by the Montana Air National Guard on or after October 1, 2001. Benefits are established by state law and can only be amended by the Legislature. The FURS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation (HAC). Member rights are vested after five years of service.

Plan Description –Public Employee Retirement System (PERS)

The PERS-Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, MCA. This plan provides retirement benefits to covered employees of the State, and local governments, and certain employees of the Montana University System, and school districts. Benefits are established by state law and can only be amended by the Legislature.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the defined benefit and defined contribution retirement plans. All new members from the universities also have a third option to join the university system’s Montana University System Retirement Program (MUS-RP).

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5. RETIREMENT PLANS (CONTINUED)

Plan Description –Public Employee Retirement System (PERS) (continued)

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation (HAC). Member rights are vested after five years of service.

The following information uses the June 30, 2021 and 2020 measurement dates for the June 30, 2022 and 2021 reporting dates, respectively. All dates noted on the following pages are reporting dates, unless otherwise specified.

Summary of Benefits – FURS

Service retirement and monthly benefit formula:

- Hired on or after July 1, 1981, or has elected to be covered by GABA:
 - 20 years of membership service, regardless of age
 - 2.5% of HAC x years of service credit
- Hired prior to July 1, 1981, and who had not elected to be covered by GABA, the greater of above, or:
 - If membership service is less than 20 years: 2% of the highest monthly compensation (HMC) for each year of service credit, or
 - If membership service is greater or equal to 20 years: 50% of HMC plus 2% of HMC for each year of service credit in excess of 20
- Early retirement: Age 50 with 5 years of membership service – normal retirement benefit calculated using HAC and service credit

Second retirement:

Applies to retirement system members re-employed in a FURS position on or after July 1, 2017:

- If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
 - is not awarded service credit for the period of reemployment;
 - is refunded the accumulated contributions associated with the period of reemployment;
 - starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
 - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5. RETIREMENT PLANS (CONTINUED)

Summary of Benefits – FURS (continued)

- If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
 - is awarded service credit for the period of reemployment;
 - starting the first month following termination of service, receives:
 - * the same retirement benefit previously paid to the member; and
 - * a second retirement benefit for the period of reemployment calculated based on the laws in effect as of the members' rehire date, and
 - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
 - * on the initial retirement benefit in January immediately following second retirement, and
 - * on the second retirement benefit starting in January after receiving that benefit for at least 12 months.
- A member who returns to covered service is not eligible for a disability benefit.

Member's compensation period used in benefit calculation

- Hired prior to July 1, 1981 and not electing GABA: highest monthly compensation (HMC);
- Hired after June 30, 1981 and those electing GABA: highest average compensation (HAC) during any consecutive 36 months (or shorter period of total service).
- Part-time firefighter: 15% of regular compensation of a newly confirmed full-time firefighter.

Compensation Cap

- Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's HAC.

Guaranteed Annual Benefit Adjustment (GABA)

Hired on or after July 1, 1997, or those electing GABA, and has been retired for at least 12 months – the member's benefit increases by 3.0% each January.

Minimum Benefit Adjustment (non-GABA)

A member with 10 or more years of membership service who has not elected to be covered under GABA – the minimum benefit provided may not be less than 50% of the monthly compensation paid to a newly confirmed active firefighter of the employer that last employed the member as a firefighter in the current fiscal year.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5. RETIREMENT PLANS (CONTINUED)

Summary of Benefits – PERS

Service retirement:

- Hired prior to July 1, 2011:
 - Age 60, 5 years of membership service;
 - Age 65, regardless of membership service; or
 - Any age, 30 years of membership service.
- Hired on or after July 1, 2011:
 - Age 65, 5 years of membership service;
 - Age 70, regardless of membership service.

Early retirement:

- Hired prior to July 1, 2011:
 - Age 50, 5 years of membership service; or
 - Any age, 25 years of membership service.
- Hired on or after July 1, 2011:
 - Age 55, 5 years of membership service.

Second Retirement: (requires returning to PERS-covered employer or PERS service)

- Retired before January 1, 2016 and accumulate less than 2 years additional service credit or retired on or after January 1, 2016 and accumulate less than 5 years additional service credit:
 - A refund of member's contributions plus regular interest (currently 2.02% effective July 1, 2018);
 - No service credit for second employment;
 - Start the same benefit amount the month following termination; and
 - Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.
- Retired before January 1, 2016 and accumulate at least 2 years of additional service credit:
 - A recalculated retirement benefit based on provisions in effect after the initial retirement; and
 - GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.
- Retired on or after January 1, 2016 and accumulate 5 or more years of service credit:
 - The same retirement as prior to the return to service;
 - A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
 - GABA starts on both benefits in January after receiving the original and new benefit for 12 months.

Member's highest average compensation (HAC)

- Hired prior to July 1, 2011 - highest average compensation during any consecutive 36 months;
- Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5. RETIREMENT PLANS (CONTINUED)

Summary of Benefits – PERS (continued)

Compensation Cap

- Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's highest average compensation.

Monthly benefit formula

- Members hired prior to July 1, 2011
 - Less than 25 years of membership service: 1.785% of HAC per year of service credit;
 - 25 years of membership service or more: 2% of HAC per year of service credit.
- Members hired on or after July 1, 2011
 - Less than 10 years of membership service: 1.5% of HAC per year of service credit;
 - 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
 - 30 years or more of membership service: 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit.

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% reduced by 0.1% for each 2.0% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.

Overview of Contributions

Contributions – The State Legislature has the authority to establish and amend contribution rates to the plan. Member and employer contribution rates are specified by Montana Statute and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.

Special Funding – The State of Montana, as the non-employer contributing entity, paid to the Plans, additional contributions that qualify as *special funding*. Those employers who received *special funding* are all participating employers.

Not Special Funding – Per Montana law, state agencies and universities paid their own additional contributions. The employer paid contributions are *not* accounted for as special funding for state agencies and universities but are reported as employer contributions.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5. RETIREMENT PLANS (CONTINUED)

Overview of Contributions (continued)

Member and employer contribution rates are shown in the tables below.

FURS	Fiscal Year	Member		Employer	State
		Non-GABA	GABA		
	1998-2022	9.50%	10.70%	14.36%	32.61%
	1997	7.80%		14.36%	32.61%

PERS:	Fiscal year	Member		Local Government	
		Hired before 7/1/2011	Hired after 7/1/2011	Employer	State
	2022	7.90%	7.90%	8.87%	0.10%
	2021	7.90%	7.90%	8.77%	0.10%
	2020	7.90%	7.90%	8.67%	0.10%
	2019	7.90%	7.90%	8.57%	0.10%
	2018	7.90%	7.90%	8.47%	0.10%
	2017	7.90%	7.90%	8.37%	0.10%
	2016	7.90%	7.90%	8.27%	0.10%
	2015	7.90%	7.90%	8.17%	0.10%
	2014	7.90%	7.90%	8.07%	0.10%
	2012-2013	6.90%	7.90%	7.07%	0.10%
	2010-2011	6.90%		7.07%	0.10%
	2008-2009	6.90%		6.94%	0.10%
	2000-2007	6.90%		6.80%	0.10%

Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.

Employer contributions to the system:

- a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
- b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
- c. The portion of employer contributions allocated to the PCR are included in the employer reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5. RETIREMENT PLANS (CONTINUED)

Overview of Contributions (continued)

Non Employer Contributions:

Special Funding

The state contributed 0.1% of members' compensation on behalf of local government entities.

Stand-Alone Statements

The financial statements of the Montana Public Employees Retirement Board (PERB) *Comprehensive Annual Financial Report* (CAFR) and the GASB 68 Report disclose the Plans' fiduciary net position. The reports are available from the PERB at PO Box 200131, Helena MT 59620-0131, (406) 444-3154 or both are available on the MPERA website at <http://mpera.mt.gov/index.shtml>.

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions.

FURS

- Investment Return (net of admin expense) 7.06%
- Admin Expense as % of Payroll 0.17%
- General Wage Growth* 3.50%
- *includes Inflation at 2.40%
- Merit Increases 0% to 6.3%
- Postretirement Benefit Increases
 - i. **Guaranteed Annual Benefit Adjustment (GABA)**
Hired on or after July 1, 1997, or those electing GABA, and has been retired for at least 12 months, the member's benefit increases by 3.0% each January.
 - ii. **Minimum Benefit Adjustment (non-GABA)**
Members with 10 or more years of membership service and if the member did not elect GABA – the minimum benefit provided should be less than 50% of the current base compensation of a newly confirmed active firefighter of the employer that last employed the member as a firefighter.
- Mortality assumptions among contributing members, service retired members and beneficiaries were based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using Scale BB, males set back one year for males.
- Mortality assumptions among Disabled Members were based on RP 2000 Combined Mortality Tables with no projections.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5. RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions (continued)

PERS

- Investment Return (net of admin expense) 7.06%
- Admin Expense as % of Payroll 0.28%
- General Wage Growth* 3.50%
- *includes Inflation at 2.40%
- Merit Increases 0% to 4.80%
- Postretirement Benefit Increases

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of all other adjustments to the member's benefit.

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
 - a. 1.5% for each year PERS is funded at or above 90%;
 - b. 1.5% reduced by 0.1% for each 2.0% PERS is funded below 90%; and
 - c. 0% whenever the amortization period for PERS is 40 years or more.
- Mortality:
 - Mortality assumptions among contributing members, service retired members and beneficiaries were based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2022 with scale BB, males set back 1 year.
 - Mortality assumptions among disabled members were based on RP 2000 Combined Mortality Tables with no projections.

Discount Rate

The discount rate used to measure the TPL was 7.06%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. For FURS, the State contributed 32.61% of salaries paid by employers; for PERS, the State contributed 0.10% of the salaries paid by local governments. In addition, the state contributed a statutory appropriation from the general fund. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2126 and 2133 for PERS and FURS, respectively. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5. RETIREMENT PLANS (CONTINUED)

Target Allocations

The long-term rate of return as of June 30, 2021, was calculated using the average long-term capital market assumptions published in the *Survey of Capital Market Assumptions 2021 Edition* by Horizon Actuarial Service, LLC, yielding a median real rate of return of 4.66%. The assumed inflation is based on the intermediate inflation of 2.4% in the *2021 OASDI Trustees Report* used by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.06%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021, are summarized in the table below.

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return Arithmetic Basis
Cash	3.00%	-0.33%
Domestic Equity	30.00%	5.90%
International Equity	17.00%	7.14%
Private Investments	15.00%	9.13%
Real Assets	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed Income	6.00%	3.02%
Total	100.00%	

Sensitivity Analysis

The sensitivity of the NPL to the discount rate is shown in the table below. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.06%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

	1.0% Decrease - 6.06%	Current Discount Rate	1.0% Increase - 8.06%
<u>FURS</u>			
Employer's proportion of net pension liability	\$ 2,143,935	\$ 944,932	\$ (15,488)
<u>PERS</u>			
Employer's proportion of net pension liability	\$ 184,610	\$ 116,301	\$ 59,006

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5. RETIREMENT PLANS (CONTINUED)

Summary of Significant Accounting Policies

MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL; Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions; Pension Expense; the Fiduciary Net Position; and Additions to or Deductions from Fiduciary Net Position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Net Pension Liability

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions*, employers and the non-employer contributing entity are required to recognize and report certain amounts associated with participation in the Public Employees' Retirement System Defined Benefit Retirement Plan (PERS) and Firefighters' Unified Retirement System (FURS) (the Plans). Employers are required to record and report their proportionate share of the collective Net Pension Liability; Pension Expense; and Deferred Outflows and Deferred Inflows of Resources associated with pensions.

As GASB Statement 68 allows, a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2021 (measurement date) was determined by taking the results of the June 30, 2020 actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the State of Montana's NPL for June 30, 2022, and 2021, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. Due to the existence of the special funding situation, the state is required to report a proportionate share of a local government's collective NPL that is associated with the non-state employer. The state's proportionate share for a particular employer equals the ratio of the contributions for a particular employer to the total state contributions paid. The employer recorded a liability of \$944,932 and \$116,301 and the employer's proportionate share was 1.1042% and 0.0064% for FURS and PERS, respectively.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5. RETIREMENT PLANS (CONTINUED)

Net Pension Liability (continued)

	Net Pension Liability as of 6/30/22	Net Pension Liability as of 6/30/21	Percent of Collective NPL as of 6/30/22	Percent of Collective NPL as of 6/30/21	Change in percent of Collective NPL
<u>FURS</u>					
Employer					
Proportionate Share	\$ 944,932	\$ 1,777,574	1.1042%	1.1360%	-0.0318%
State of Montana					
Proportionate Share associated with Employer	<u>2,144,697</u>	<u>4,007,241</u>	<u>2.5062%</u>	<u>2.5609%</u>	<u>-0.0547%</u>
Total	<u>\$ 3,089,629</u>	<u>\$ 5,784,815</u>	<u>3.6104%</u>	<u>3.6969%</u>	<u>-0.0865%</u>
<u>PERS</u>					
Employer					
Proportionate Share	\$ 116,301	\$ 80,478	0.0064%	0.0031%	0.0034%
State of Montana					
Proportionate Share associated with Employer	<u>34,125</u>	<u>25,248</u>	<u>0.0019%</u>	<u>0.0010%</u>	<u>0.0009%</u>
Total	<u>\$ 150,426</u>	<u>\$ 105,726</u>	<u>0.0083%</u>	<u>0.0040%</u>	<u>0.0043%</u>

Changes in actuarial assumptions and methods – The following changes in assumptions or other inputs were made that affected the measurement of the TPL.

- The discount rate was lowered from 7.34% to 7.06%.
- The investment rate of return was lowered from 7.34% to 7.06%.

Changes in benefit terms

There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: There were no changes between the measurement date of the collective NPL and the employer’s reporting date that are expected to have a significant effect on the employer’s proportionate share of the collective NPL.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5. RETIREMENT PLANS (CONTINUED)

Net Pension Liability (continued)

	<u>Pension Expense as of 6/30/22</u>	<u>Pension Expense as of 6/30/21</u>
FURS		
Employer Proportionate Share	\$ 271,320	\$ 448,906
State of Montana Proportionate Share for Employer	<u>623,603</u>	<u>1,015,421</u>
Total	<u>\$ 894,923</u>	<u>\$ 1,464,327</u>

	<u>Pension Expense as of 6/30/22</u>	<u>Pension Expense as of 6/30/21</u>
PERS		
Employer Proportionate Share	\$ 38,866	\$ 16,291
State of Montana Proportionate Share associated with the Employer	<u>14,549</u>	<u>4,129</u>
Total	<u>\$ 53,415</u>	<u>\$ 20,420</u>

At June 30, 2022, the employer recognized \$271,320 and \$38,866 for its proportionate share of the FURS' and PERS' pension expense, respectively. The employer also recognized grant revenue of \$623,603 and \$14,549 for the support provided by the state of Montana for the proportionate share of the pension expense that is associated with the employer for FURS' and PERS', respectively.

Recognition of Deferred Inflows and Outflows

At June 30, 2022, the employer reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
FURS		
Differences between actual and expected experience	\$ 123,723	\$ 5,141
Changes in assumptions	483,732	-
Difference between projected and actual earnings on pension plan investments	-	646,440
Changes in proportion and differences between employer contributions and proportionate share of contributions	206,144	-
#Contributions paid subsequent to the measurement date - FY 2022 contributions	<u>326,208</u>	<u>-</u>
Total	<u>\$ 1,139,807</u>	<u>\$ 651,581</u>

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5. RETIREMENT PLANS (CONTINUED)

Recognition of Deferred Inflows and Outflows (continued)

<u>PERS</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ 1,241	\$ 842
Changes in assumptions	17,226	-
Difference between projected and actual earnings on pension plan investments	-	47,115
Changes in proportion and differences between employer contributions and proportionate share of contributions	56,285	-
#Contributions paid subsequent to the measurement date - FY 2022 contributions	<u>21,077</u>	<u>-</u>
Total	<u>\$ 95,829</u>	<u>\$ 47,957</u>

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2023.

Other amounts reported as deferred outflows and inflows of resources related to pensions are recognized in the employer's pension expense as follows:

Year ended June 30:	Recognition of deferred outflows and deferred inflows in future years as an increase or (decrease) to pension expense	
	<u>PERS</u>	<u>FURS</u>
2023	\$ 31,493	\$ 81,034
2024	\$ 21,722	\$ 46,315
2025	\$ (11,379)	\$ (28,297)
2026	\$ (15,040)	\$ (94,630)
Thereafter	\$ -	\$ 157,597

Employer's proportion of FURS and PERS Pension Amounts Combined

	<u>Employer's proportionate share associated with FURS</u>	<u>Employer's proportionate share associated with PERS</u>	<u>Employer's Total Pension</u>
Net pension liability (NPL)	\$ 944,932	\$ 116,301	\$ 1,061,233
Deferred outflows of resources	\$ 1,139,807	\$ 95,829	\$ 1,235,636
Deferred inflows or resources	\$ 651,581	\$ 47,957	\$ 699,538
Pension expense	\$ 271,320	\$ 38,866	\$ 310,186

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6. INTER-LOCAL AGREEMENTS

Gallatin Airport Authority

The District entered into an interlocal agreement with the Gallatin Airport Authority (Airport) which was effective September 14, 2017. The agreement states that the District is responsible to provide incident management for all accidents or incidents at the Airport and establishes each entity's responsibility for training and planning necessary to be prepared for emergencies at the Airport. The agreement also states that each entity will enter into a ground lease for the approximate 3.5 acres of land on which station one was built. The initial term of the lease is for 40 years with the option to renew for two 20-year terms. It was determined that this lease does not meet the requirements of GASB 87, *Leases*.

NOTE 7. RISK MANAGEMENT

The District's risk management activities are recorded in the general fund. Significant losses for public officials, automobile, property and general liability are covered by commercial insurance policies. The District also participates in the State Unemployment and Workers' Compensation programs for losses due to employee life and health risk. There have been no significant reductions in insurance coverage.

NOTE 8. PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2022, it came to the District's attention that equipment purchased directly by Montana Department of Transportation on behalf of the District during the year ended June 30, 2020 was not recognized as a capital asset and grant revenue by the District. This equipment was added to the District's capital assets during the year ended June 30, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL VALLEY FIRE DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE LAST TEN FISCAL YEARS*
YEAR ENDED JUNE 30, 2022

Year ended June 30:	Employer's proportion of the net pension liability as a percentage	Employer's proportionate share of the net pension liability as an amount	State of Montana's proportionate share of the net pension liability associated with the employer	Total	Employer's covered payroll	Employer's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
<u>FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM</u>							
2022	1.104200%	\$ 944,932	\$ 2,144,697	\$ 3,089,629	\$ 2,031,999	46.50%	87.72%
2021	1.136000%	\$ 1,777,574	\$ 4,007,241	\$ 5,784,815	\$ 1,983,073	89.64%	75.34%
2020	0.956200%	\$ 1,096,853	\$ 2,652,749	\$ 3,749,602	\$ 1,658,080	66.15%	80.08%
2019	0.847900%	\$ 976,511	\$ 2,232,850	\$ 3,209,361	\$ 1,335,352	73.13%	79.03%
2018	0.689300%	\$ 779,118	\$ 1,769,290	\$ 2,548,408	\$ 1,032,324	75.47%	77.77%
2017	0.628700%	\$ 718,115	\$ 1,627,023	\$ 2,345,138	\$ 885,391	81.11%	75.48%
2016	0.578400%	\$ 591,619	\$ 1,317,692	\$ 1,909,311	\$ 777,348	76.11%	76.90%
2015	0.534100%	\$ 521,404	\$ 1,176,262	\$ 1,697,666	\$ 693,825	75.15%	76.70%
<u>PUBLIC EMPLOYEES RETIREMENT SYSTEM</u>							
2022	0.006414%	\$ 116,301	\$ 34,125	\$ 150,426	\$ 113,297	102.65%	79.91%
2021	0.003050%	\$ 80,478	\$ 25,248	\$ 105,726	\$ 51,182	157.24%	68.90%
2020	0.002199%	\$ 45,962	\$ 14,901	\$ 60,863	\$ 36,279	126.69%	73.85%
2019	0.002200%	\$ 45,089	\$ 15,033	\$ 60,122	\$ 35,527	126.91%	73.47%
2018	0.002900%	\$ 57,125	\$ 683	\$ 57,808	\$ 36,637	155.92%	73.75%
2017	0.002800%	\$ 47,843	\$ 585	\$ 48,428	\$ 33,644	142.20%	74.71%
2016	0.004500%	\$ 62,708	\$ 770	\$ 63,478	\$ 52,352	119.78%	78.40%
2015	0.003800%	\$ 47,352	\$ 578	\$ 47,930	\$ 43,019	110.07%	79.90%

* The amounts presented above for each fiscal year were determined as of June 30th, the measurement date. The Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CENTRAL VALLEY FIRE DISTRICT
SCHEDULE OF CONTRIBUTIONS
FOR THE LAST TEN FISCAL YEARS*
YEAR ENDED JUNE 30, 2022

Year ended June 30:	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
<u>FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM</u>					
2022	\$ 326,208	\$ 326,208	\$ -	\$ 2,271,644	14.359997%
2021	\$ 291,794	\$ 291,794	\$ -	\$ 2,031,999	14.359948%
2020	\$ 291,891	\$ 291,891	\$ -	\$ 1,983,073	14.719125%
2019	\$ 228,503	\$ 228,503	\$ -	\$ 1,658,080	13.781181%
2018	\$ 196,543	\$ 191,757	\$ -	\$ 1,335,352	14.360034%
2017	\$ 147,967	\$ 147,967	\$ -	\$ 1,032,324	14.333388%
2016	\$ 126,587	\$ 126,587	\$ -	\$ 885,391	14.297299%
2015	\$ 113,799	\$ 113,799	\$ -	\$ 777,348	14.639389%
<u>PUBLIC EMPLOYEES RETIREMENT SYSTEM</u>					
2022	\$ 21,077	\$ 21,077	\$ -	\$ 237,624	8.869895%
2021	\$ 9,936	\$ 9,936	\$ -	\$ 113,297	8.769870%
2020	\$ 4,484	\$ 4,484	\$ -	\$ 51,182	8.760893%
2019	\$ 3,120	\$ 3,120	\$ -	\$ 36,279	8.600017%
2018	\$ 3,009	\$ 3,009	\$ -	\$ 35,527	8.469615%
2017	\$ 3,045	\$ 3,045	\$ -	\$ 36,637	8.311270%
2016	\$ 2,812	\$ 2,812	\$ -	\$ 33,644	8.358102%
2015	\$ 4,314	\$ 4,314	\$ -	\$ 52,352	8.240373%

*The amounts presented above for each fiscal year were determined as of June 30th, the measurement date. The Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CENTRAL VALLEY FIRE DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2022

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget <u>Over (Under)</u>
Revenues:			
Property taxes	\$ 5,913,912	\$ 5,941,780	\$ 27,868
Other	1,071,500	1,488,366	416,866
Grants	110,000	98,643	(11,357)
Re-appropriated reserves	<u>6,505,362</u>	<u>-</u>	<u>(6,505,362)</u>
Total revenues	<u>13,600,774</u>	<u>7,528,789</u>	<u>(6,071,985)</u>
Expenditures:			
Current:			
Public Safety:			
Personal services	4,186,962	4,316,975	130,013
Operations	1,283,100	1,368,422	85,322
Debt service	-	424,305	424,305
Capital outlay	2,806,305	1,891,978	(914,327)
Capital and operating reserves	<u>5,105,017</u>	<u>-</u>	<u>(5,105,017)</u>
Total expenditures	<u>13,381,384</u>	<u>8,001,680</u>	<u>(5,379,704)</u>
Excess of revenues over (under) expenditures	219,390	(472,891)	(692,281)
Fund balance - beginning		<u>7,079,904</u>	
Fund balance - ending		<u>\$ 6,607,013</u>	
Reconciliation:			
Total revenues per statement of revenues, expenditures, and changes in fund balance		\$ 8,269,810	
Less on behalf payment		<u>(741,021)</u>	
Total revenues, budgetary basis		<u>\$ 7,528,789</u>	
Total expenditures per statement of revenues, expenditures, and changes in fund balance		\$ 8,742,701	
Less on behalf payment		<u>(741,021)</u>	
Total expenditures, budgetary basis		<u>\$ 8,001,680</u>	

CENTRAL VALLEY FIRE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022

NOTE 1. BUDGET COMPLIANCE

The District annually adopts an operating budget for the fiscal year beginning on July 1. The Board may amend the budget during the fiscal year by conducting public hearings at regularly scheduled meetings. Without a public hearing, the budget cannot be increased except by a public emergency that could not have been reasonably foreseen at the time of its adoption. Expenditures are limited to the amount of the budget appropriation for each line item; however, the budgeted amounts may be adjusted by means of transfers between line items by resolution of the Board. All budget appropriations lapse at the end of the fiscal year.

NOTE 2. BUDGET BASIS OF ACCOUNTING

The budget is prepared on the same basis of accounting used in preparing the District's fund financial statements, except for noncash on-behalf payments which are not included in the District's budget.

NOTE 3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

There was no excess of expenditures over appropriations during the year.

NOTE 4. CHANGES OF BENEFIT TERMS

The following changes to the plan provision were made as identified:

2017:

Working Retiree Limitations – for PERS

Effective July 1, 2017, if a PERS retiree returns as an independent contractor to what would otherwise be PERS – covered employment, general contractor overhead costs are excluded from PERS working retiree limitations.

Refunds

- Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
- Terminating members with accumulated contributions between \$200 and \$1,000 who wish to rollover their refund must do so within 90 days of termination of service.
- Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

Interest credited to member accounts

- Effective July 1, 2017, the interest rate credited to member accounts increased from 0.25% to 0.77%.

Lump-sum payouts

- Effective July 1, 2017, lump-sum payouts in all systems are limited to the member's accumulated contributions rate than the present value of the member's benefit.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022

NOTE 4. CHANGES OF BENEFIT TERMS (Continued)

Working Retiree Limitations – for PERS (continued)

Disabled PERS Defined Contribution (DC) Members

PERS members hired after July 1, 2011 have a normal retirement age of 65. PERS DC members hired after July 1, 2011 who became disabled were previously only eligible for a disability benefit until age 65. Effective July 1, 2017, these individuals will be eligible for a disability benefit until they reach 70, thus ensuring the same 5-year time period available to PERS DC disabled members hired prior to July 1, 2011 who have a normal retirement age of 60 and are eligible for a disability benefit until age 65.

2017:

Working Retiree Limitations – for FURS

Applies to retirement system members who return on or after July 1, 2017 to covered employment in the system from which they retired.

- Members who return for less than 480 hours in a calendar year:
 - May not become an active member in the system; and
 - Are subject to a \$1 reduction in their retirement benefit for each \$3 earned in excess of \$5,000 in the calendar year.
- Members who return for 480 or more hours in a calendar year:
 - Must become an active member of the system;
 - Will stop receiving a retirement benefit from the system; and
 - Will be eligible for a second retirement benefit if they earn 5 or more years of service credit through their second employment.
- Employee, employer and state contributions, if any, apply as follows:
 - Employer contributions and state contributions (if any) must be paid on all working retirees;
 - Employee contributions must be paid on working retirees who return to covered employment for 480 or more hours in a calendar year.

Second Retirement Benefit – for FURS

Applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired.

- If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
 - is not awarded service credit for the period of reemployment;
 - is refunded the accumulated contributions associated with the period of employment;
 - starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
 - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022

NOTE 4. CHANGES OF BENEFIT TERMS (Continued)

Second Retirement Benefit – for FURS (continued)

- If the member works more than 480 hours in a calendar year and accumulates at least 5 year of service credit before terminating again, the member:
 - is awarded service credit for the period of reemployment;
 - starting the first month following termination of service, receives:
 - * The same retirement benefit previously paid to the member, and
 - * A second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member’s rehire date; and
 - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
 - * On the initial retirement benefit in January immediately following second retirement, and
 - * On the second retirement benefit starting in January after receiving that benefit for at least 12 months.
- A member who returns to covered service is not eligible for a disability benefit.

Refunds

- Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
- Terminating members with accumulated contributions between \$200 and \$1,000 who wish to rollover their refund must do so within 90 days of termination of service.
- Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

Interest credited to member accounts

- Effective July 1, 2017, the interest rate credited to member accounts increased from 0.25% to 0.77%.

Lump-sum payouts

- Effective July 1, 2017, lump-sum payouts in all systems are limited to the member’s accumulated contributions rate than the present value of the member’s benefit.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022

NOTE 5. CHANGES IN ACTUARIAL ASSUMPTIONS AND METHODS

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 30, 2020 actuarial valuation:

	FURS	PERS
General Wage Growth*	3.50%	3.50%
Investment rate of return*	7.65%	7.65%
*Includes inflation at	2.75%	2.75%
Merit salary increases	0% to 6.3%	0% to 8.47%
Asset valuation method	4-year smoothed market	4-year smoothed market
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percentage of payroll, open	Level percentage of payroll, open
Remaining amortization period		30 years
Mortality (Healthy members)	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year.	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year.
Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table	For Males and Females: RP 2000 Combined Mortality Table, with no projections
Admin Expense as % of Payroll	0.17%	0.28%

Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year to year based on the prior year's actual administrative expenses.

The actuarial assumptions and methods utilized in the June 30, 2020 valuation, were developed in the six-year experience study for the period ending 2016.



3382 Monida Street
Bozeman, Montana 59718
Tel: 406.209.0411
barndtcpa.com

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*

To the Board of Trustees
Central Valley Fire District
Belgrade, Montana

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 the major fund of Central Valley Fire District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Central Valley Fire District's basic financial statements and have issued my report thereon dated February 15, 2023.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered Central Valley Fire District's internal control over financial reporting (internal control) as a basis for designing 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 Central Valley Fire District's internal control. Accordingly, I do not express an opinion on the effectiveness of Central Valley Fire District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central Valley Fire 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 financial statements. 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*.

District's Response to Findings

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

Purpose of this Report

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

Rosie Barndt, CPA, PC

February 15, 2023

CENTRAL VALLEY FIRE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2022

Internal Control Finding #2022-001

Criteria: The District's responsibility is to properly record transactions in its financial statements in accordance with U.S. generally accepted accounting principles.

Condition: Adjusting journal entries were proposed by the auditor and accepted by the District in order to correct year-end account balances and to properly record revenue and expenses.

Cause: The District does not have proper procedures in place to recognize revenues, expenditures and deferred inflows in accordance with U. S. GAAP.

Context: The effect of this deficiency was the understatement of revenues over expenditures by \$89,255.

Effect: This deficiency has the potential effect of understating or overstating financial resources available.

Recommendation: The District should develop a process to ensure that transactions are properly recorded in accordance with U.S. GAAP.

Management Response: The District concurs with the finding and will develop a process to ensure that transactions are properly recorded in accordance with U.S. GAAP.

CENTRAL VALLEY FIRE DISTRICT
CURRENT STATUS OF PRIOR YEAR RECOMMENDATIONS
YEAR ENDED JUNE 30, 2022

None reported.