

CENTRAL VALLEY FIRE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2009

CENTRAL VALLEY FIRE DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
Independent auditor's report	1
Management's discussion and analysis	2-5
Basic financial statements:	
Government-wide financial statements:	
Statement of net assets	6
Statement of activities	7
Fund financial statements:	
Balance sheet - governmental fund type	8
Reconciliation of the balance sheet of the governmental fund to the statement of net assets	9
Statement of revenues, expenditures, and changes in fund balance - governmental fund	10-11
Reconciliation of the statement of revenues, expenditures and changes in fund balances of the governmental fund to the statement of activities	12
Notes to the financial statements	13-20
Required supplementary information:	
Statement of revenues, expenditures and changes in fund balance – budget and actual – general fund	21-22
Notes to the required supplementary information	23
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>	24-25
Schedule of findings and questioned costs	26
Schedule of prior year findings and questioned costs	27

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and the major fund of Central Valley Fire District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Central Valley Fire District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the major fund of the Central Valley Fire District as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2009, on our consideration of Central Valley Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 2 through 5 and 21 through 22, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



November 17, 2009

**CENTRAL VALLEY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

The management's discussion and analysis provides an overview of the District's financial activities for the fiscal year ended June 30, 2009. Please read this report along with the District's financial statements, which begin on page 6.

FINANCIAL HIGHLIGHTS

No significant financial situations existed due to our increased constant financial review and analysis.

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 assets* and changes in them. Net assets are 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 assets are one indicator of its financial health. However, you need to consider other nonfinancial factors in making an assessment of the District's health, such as changes in the economy and changes in the District's tax base, etc. to assess the overall health of the District.

Fund financial statements

The District reports all of its activities in the general fund, which is a governmental fund. This fund focuses on how money flows into and out of this fund and the balance left at year-end that is available for spending. 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 shorter-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
JUNE 30, 2009**

The following table presents the District's net assets at June 30, 2009 and 2008:

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Current assets	\$ 1,700,666	\$ 1,330,894
Capital assets – net	<u>4,363,973</u>	<u>4,545,892</u>
Total assets	<u>6,064,639</u>	<u>5,876,786</u>
Current liabilities	509,867	766,207
Non-current liabilities	<u>2,576,408</u>	<u>2,616,580</u>
Total liabilities	<u>3,086,275</u>	<u>3,382,787</u>
Net assets:		
Invested in capital assets		
-net of related debt	1,571,890	1,725,116
Unrestricted net assets	1,174,020	763,449
Restricted for capital purchases	<u>232,454</u>	<u>5,434</u>
Net assets	<u>\$ 2,978,364</u>	<u>\$ 2,493,999</u>

The following table presents the changes in the District's net assets for the fiscal years ending June 30, 2009 and 2008:

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
General Revenues:		
District real estate & property taxes	\$ 2,043,309	\$ 1,968,456
Impact fees	346,000	-
Investment earnings and other	31,222	29,547
Gain on sale of equipment	191,490	-
Miscellaneous	<u>4,521</u>	<u>57,125</u>
Total general revenue and special items	<u>2,616,542</u>	<u>2,055,128</u>
Program revenues – fees for service	222,879	239,761
Capital grants and contributions	<u>11,980</u>	<u>35,470</u>
Total program revenue	<u>234,859</u>	<u>275,231</u>
Total revenue and special items	<u>\$ 2,851,401</u>	<u>\$ 2,330,359</u>

**CENTRAL VALLEY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Expenses:		
Public safety	\$ 2,218,275	\$ 1,701,136
Interest on long-term debt	<u>148,761</u>	<u>71,911</u>
Total expenses	2,367,036	1,773,047
Less program revenues	<u>234,859</u>	<u>275,231</u>
Net expenses	2,132,177	1,497,816
General revenues	<u>2,616,542</u>	<u>2,055,128</u>
Change in net assets	484,365	557,312
Net assets – beginning	<u>2,493,999</u>	<u>1,936,687</u>
Net assets – ending	<u>\$ 2,978,364</u>	<u>\$ 2,493,999</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

The District continues to pay on the capital loans obtained in prior years.

DISTRICT OVERVIEW

The Central Valley Fire District provides fire and emergency services to the suburban and rural areas surrounding the City of Belgrade, north Four Corners, Dry Creek, Reese Creek, Central Park, River Rock, Valley Center, Springhill and west of the City of Bozeman. As time goes by, the cities annex suburban areas belonging to the District (primarily as a result of providing water and sewer services to businesses and residences) and the District adds additional rural property to the area covered by the District, based on a petition from the residents.

Because of these regular changes in the District's boundaries, increased population to be served, service expectations of the public, public insurance standards and the issues revolving around growth and providing consistent service, it is necessary to build new fire stations, upgrade existing facilities, provide adequate fire/rescue equipment, keep current on national standards for equipment/personnel safety and increase staffing.

In 2007, the District taxpayers approved additional funding for continued operations and replacement of numerous support and fire/rescue apparatus.

**CENTRAL VALLEY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

THE FUTURE OF THE DISTRICT

The District faces various challenges in the future. One of the challenges will be the potential reduction in District size, which will directly relate to reduced tax funding as the cities continue to annex property. This is anticipated to be offset by increased construction and property valuations within the District and land owners petitioning to become part of the District.

Other challenges the District faces include the need to build a new central fire station, upgrade all existing fire stations and build another satellite station to provide standard coverage for the majority of the residents and visitors in the area. These capital projects along with the upgrades to equipment, constant recruitment of volunteer firefighters/EMT's and rising operational costs, creates significant challenges.

Significant construction in the District has required more specialized equipment and training of personnel to provide the needed services. The District has an equipment replacement program but the revenues are not keeping up with the national recognized standard for these replacements. Even with the additional funding approved by our taxpayers in 2007, those funds will only replace ½ the fire equipment needed to sustain the continued level of operation.

To help finance these needs, the District has been borrowing funds and will again be requesting future mill levy increases from the taxpayers to pay for the facilities, equipment and staffing.

Without additional income to fund facilities, equipment and staffing, the District will be forced into reducing its ability to provide fire and emergency services to the public it serves. The costs of operations are continuing to increase and the revenue is not keeping up. The new safety standards placed on the District, as a "National Standard", cannot be met without significant additional funding.

BUDGET ANALYSIS

The District's total actual expenditures were not in excess of total appropriations during the fiscal year. There was one change made to the budget during the fiscal year ended June 30, 2009 to accommodate loan proceeds.

CENTRAL VALLEY FIRE DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities
Assets	
Cash and investments	\$ 1,516,583
Cash - restricted	40,954
Accounts receivable	9,545
Taxes receivable	133,584
Capital assets, net of accumulated depreciation	4,363,973
Total assets	6,064,639
Liabilities	
Accounts payable	231,865
Accrued salaries and payroll taxes	21,373
Deferred revenue - restricted cash	40,954
Long-term liabilities:	
Loan payable - current portion	215,675
Loan payable - long-term portion	2,576,408
Total liabilities	3,086,275
Net assets	
Invested in capital assets, net of related debt	1,571,890
Restricted for capital purchases	232,454
Unrestricted	1,174,020
Total net assets	\$ 2,978,364

See accompanying notes to the financial statements.

CENTRAL VALLEY FIRE DISTRICT
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2009

Expenses:	
Public Safety - fire protection	\$ 2,218,275
Interest on long-term debt	<u>148,761</u>
Total expenses	<u>2,367,036</u>
Program revenues:	
Charges for services	222,879
Capital grants and contributions	<u>11,980</u>
Total program revenues	<u>234,859</u>
Net program expense	<u>2,132,177</u>
General revenues:	
Real estate and property taxes	2,043,309
Miscellaneous	4,521
Impact fees	346,000
Investment income	31,222
Special item - Gain on sales of equipment	<u>191,490</u>
Total general revenues and special items	<u>2,616,542</u>
Change in net assets	484,365
Net assets at beginning of year	<u>2,493,999</u>
Net assets at end of year	<u><u>\$ 2,978,364</u></u>

See accompanying notes to the financial statements.

CENTRAL VALLEY FIRE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND TYPE
JUNE 30, 2009

	Governmental Fund Type
	General Fund
<u>Assets</u>	
Cash	\$ 1,516,583
Cash - restricted	40,954
Accounts receivable	9,545
Property taxes	133,584
Total assets	\$ 1,700,666
<u>Liabilities and Fund Balances</u>	
<u>Liabilities</u>	
Accounts payable	\$ 231,865
Accrued salaries and payroll taxes	21,373
Deferred revenue - restricted cash	40,954
Deferred revenue - property taxes	111,251
Total liabilities	405,443
<u>Fund Balances:</u>	
Reserved for capital purchases	232,454
Unreserved	1,062,769
Total fund balances	1,295,223
Total liabilities and fund equity	\$ 1,700,666

See accompanying notes to the financial statements

CENTRAL VALLEY FIRE DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF
THE GOVERNMENTAL FUND TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

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

Fund balance of the governmental fund	\$ 1,295,223
The focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (taxes receivable) are offset by deferred revenue in the governmental funds, and thus are not included in fund balance.	111,251
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the balance sheet of the governmental fund.	4,363,973
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,792,083)</u>
Net assets of governmental activities	<u>\$ 2,978,364</u>

See accompanying notes to the financial statements.

CENTRAL VALLEY FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2009

	Governmental Fund General Fund
Revenues	
Taxes	
Real estate and property taxes	\$ 1,920,631
Impact fees	346,000
Intergovernmental receipts:	
Cost sharing - Belgrade	162,576
Cost sharing - Airport	12,500
Cost sharing - Gallatin Gateway	3,834
Entitlement	94,576
Charges for services	43,969
Miscellaneous	
Grants	11,980
Other	4,521
Investment earnings	31,222
Total revenues	2,631,809
Expenditures	
Current:	
Public safety:	
Personal services	
Salaries and fringe benefits	1,100,116
Supplies	
Office and operating supplies	152,374
Gasoline and diesel fuel	31,901
Repair and maintenance	109,202
Purchased services	
Dues and subscriptions	4,257
Election	4,986
Utilities and telephone	56,358
Physicals and related services	15,938
Professional and contracted services	21,582
Public communication	5,506
Standby	3,300
Training	49,027
Fixed charges	
Insurance	28,309
Storage	5,050
Debt service	
Principal	324,081
Interest	148,761

See accompanying notes to the financial statements

CENTRAL VALLEY FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Governmental Fund</u> <u>General Fund</u>
Expenditures (continued)	
Capital outlay	427,445
Total expenditures	2,488,193
Excess (deficiency) of revenues over expenses	143,616
Other financing sources	
Proceeds from loans	148,769
Special item	
Proceeds from sale of equipment	199,800
Net change in fund balance	492,185
Fund balance at beginning of year	803,038
Fund balance at end of year	\$ 1,295,223

See accompanying notes to the financial statements

CENTRAL VALLEY FIRE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUND TO THE
STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2009

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

Net change in fund balance - governmental fund	\$	492,185
A portion of the property tax receivable will not be collected for several months after the District's fiscal year end, it is not considered "available" revenue in the governmental funds.		28,102
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$427,445) is exceeded by depreciation (\$601,054) in the current period.		(173,609)
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 governmental funds.		(29,315)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net assets. This is the amount of debt principal repayments in the current period.		324,081
In the statement of activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the book value of the capital asset sold.		(8,310)
Receipt of loan proceeds is a revenue in the government funds, but is a liability assumed in the statement of net assets. This amount is a reduction of revenue to reconcile to the fund statement of activities		<u>(148,769)</u>
Change in net assets of governmental activities	\$	<u>484,365</u>

See accompanying notes to the financial statements.

**CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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.

B. Basis of Presentation – Government-wide financial statements

The government-wide financial statements (i.e., the statement of net assets 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 fiscal year ended June 30, 2009, 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. For the fiscal year ended June 30, 2009, the District received program revenue from ambulance and fire protection services provided and a grant received. Taxes and other items are reported as general revenues.

C. 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.

D. 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 fiscal 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. Revenues are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be

(continued)

**CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

both measurable and available. 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.

E. Cash and Investments

The District is authorized by statute to invest in time and savings deposits with a bank, savings and loan association, or credit union in the state. In addition, it may also invest in obligations of the United States Government, securities issued by agencies of the United States, repurchased agreements, and the State Short-Term Investment Pool (STIP).

To minimize credit risk in relation to the District's investments, the District invests in the Gallatin County External Investment Pool that is subject to the collateral requirements specified in State statutes.

F. Taxes Receivable

Property tax levies are set by the Counties, 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 Department 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.

G. Capital Assets

Capital assets, which include land, construction in process, building and improvements, vehicles, and equipment, are reported on the statement of net assets. All capital assets with a purchase price over \$1,000 and a life of at least five years are capitalized. Such assets are recorded at historical cost. Donated property and materials are recorded at fair market value as of the date of the donation.

(continued)

**CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets (Continued)

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:

<u>Assets</u>	<u>Years</u>
Building	40
Building improvements	10-15
Vehicles	10
Equipment	5-10

H. 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; it is not the policy of the District to recognize as current expenditures the payments made on accumulated sick and annual leave within sixty days of the end of the fiscal year. The balance of vested employee's vacation and sick leave is recorded as a non-current liability in the statement of net assets.

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. Employees may request that unused vacation hours that are subject to loss be transferred to sick leave hours at a rate of one hour of vacation leave to four hours of sick leave. 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.

I. Fire Protection Impact Fee Revenues

Gallatin County collects fire protection impact fees from subdivisions within the District's benefit area and accounts for the collections in a separate fund for the District. The impact fees are assessed to subdivisions and developments within the District but shall not apply to any land located within the corporate limits of any city or town. 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.

(continued)

**CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Fire Protection Impact Fee Revenues (Continued)

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, 2009, the County held \$40,954 in the impact fee fund. This amount is shown as restricted cash and deferred revenue as of June 30, 2009. The District recognizes revenue from impact fees when the Commissioners approve the District's request to spend the fees.

J. Net Assets

During fiscal years ended June 30, 2009 and 2006 the Gallatin County Commissioners approved the District's request to purchase certain capital assets using impact fees and these funds were transferred to the District at that time. As of June 30, 2009, the District had not used \$232,454 of these funds, therefore, this amount is reported as net assets restricted for capital purchases as of June 30, 2009.

K. Estimates

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

2. CASH AND INVESTMENTS

As of June 30, 2009, the District had \$1,600 in cash on hand. At this same date, the District had the following investment:

	<u>Unrestricted</u>	<u>Restricted</u>
Gallatin County External Investment Pool	<u>\$ 1,514,983</u>	<u>\$ 40,954</u>

The Gallatin County Treasurer manages funds held in the Gallatin County External Investment Pool (Pool). The County Treasurer monitors the District's cash to make certain that the District remains in compliance with the state statute in regard to authorized investments. The fair value of the District's position in this pool is the same as the value of the pool shares (carrying amount). Cash and investments in the custody of the County Treasurer are subject to the collateral requirements specified in State statutes.

As of June 30, 2008, according to the County's audited financial statements, the external investment pool consisted of U.S. Governmental securities. According to the County's financial statements, interest rates at June 30, 2008 ranged from 2.3%-5.6% and future maturities on investments ranged from July 2008 through June 2013. These securities are carried at cost, which approximates fair value. More information on the most recent audited financial statements for Gallatin County, Montana are available at 311 West Main, Bozeman, Montana.

The Pool has not been rated by the Nationally Recognized Statistical Rating Organizations (NRSRO).

**CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

3. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

Governmental activities:	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 463,405	\$ -	\$ -	\$ 463,405
Construction in process	24,276	118,980	-	143,256
Vehicles in process	<u>2,336,043</u>	<u>143,420</u>	<u>(2,336,043)</u>	<u>143,420</u>
Total capital assets, not being depreciated	<u>2,823,724</u>	<u>262,400</u>	<u>(2,336,043)</u>	<u>750,081</u>
Capital assets, being depreciated:				
Building and Improvements	1,541,378	16,025	-	1,557,403
Equipment	560,022	96,239	(21,704)	634,557
Furniture	4,655	-	-	4,655
Vehicles	<u>1,741,772</u>	<u>2,388,824</u>	<u>(555,740)</u>	<u>3,574,856</u>
Total capital assets, being depreciated	<u>3,847,827</u>	<u>2,501,088</u>	<u>(577,444)</u>	<u>5,771,471</u>
Less accumulated depreciation:				
Building and Improvements	(376,528)	(38,780)	-	(415,308)
Equipment	(465,241)	(64,104)	21,084	(508,261)
Furniture	(950)	(465)	-	(1,415)
Vehicles	<u>(1,282,940)</u>	<u>(497,705)</u>	<u>548,050</u>	<u>(1,232,595)</u>
Total accumulated depreciation	<u>(2,125,659)</u>	<u>(601,054)</u>	<u>569,134</u>	<u>(2,157,579)</u>
Total net capital assets, being depreciated	<u>1,722,168</u>	<u>1,900,034</u>	<u>(8,310)</u>	<u>3,613,892</u>
Governmental activities capital assets, net	<u>\$ 4,545,892</u>	<u>\$2,162,434</u>	<u>\$(2,344,353)</u>	<u>\$ 4,363,973</u>

Depreciation expense was charged to the following function of the District:

Public Safety: \$ 601,054

4. LONG-TERM LIABILITIES

Loans payable

During the fiscal year ended June 30, 2005, the District purchased an ambulance for \$108,891. This loan will be paid at an interest rate of 4.5% with four annual payments of \$24,601, which are due November 15 of each year through 2009. The vehicle secures the loan.

During the fiscal year ended June 30, 2008, the District purchased vehicles for \$322,462. During the fiscal year ended June 30, 2009, the District drew an additional \$148,769 on this loan for the purchase of an additional vehicle. This loan will be paid at an interest rate of 4.69% with seven annual payments of \$75,000, which are due June 30 of each year through 2015 and a final payment of \$59,398 due on June 30, 2016. The vehicles secure the loan.

(continued)

**CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

4. LONG-TERM LIABILITIES (CONTINUED)

During the fiscal year ended June 30, 2008, the District purchased two engines, four tenders and one support truck for \$2,336,043. This loan will be paid at an interest rate of 5.25% with thirteen annual payments of \$252,484, which are due June 30 of each year through 2021. The loan is secured by separate security instruments.

The following are the principal and interest requirements for the loans payable as of June 30, 2009:

<u>Fiscal year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 215,675	\$ 136,409	\$ 352,084
2011	201,931	125,553	327,484
2012	212,207	115,277	327,484
2013	223,007	104,477	327,484
2014	234,358	93,125	327,484
2015-2019	1,091,145	289,409	1,380,555
2020-2022	<u>467,141</u>	<u>37,082</u>	<u>504,221</u>
	<u>\$ 2,645,464</u>	<u>\$ 901,332</u>	<u>\$ 3,546,796</u>

Changes in Long-term Liabilities

The following is a summary of changes in long-term debt for the year ended June 30, 2009:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Capital leases:					
Capital lease – Truck #109	\$ 20,401	\$ -	\$ 20,401	\$ -	\$ -
Capital lease – Station 2 & 3	58,079	-	58,079	-	-
Loans payable:					
Land contract payable	37,735	-	37,735	-	-
Loan payable-ambulance	46,055	-	22,534	23,521	23,521
Loan payable	322,462	148,769	55,490	415,741	55,495
Loan payable – vehicles	2,336,043	-	129,841	2,206,202	136,658
Compensated absences	<u>117,305</u>	<u>29,315</u>	<u>-</u>	<u>146,620</u>	<u>-</u>
Total long-term liabilities	<u>\$2,938,080</u>	<u>\$ 178,084</u>	<u>\$ 324,080</u>	<u>\$2,792,084</u>	<u>\$ 215,674</u>

**CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

5. EMPLOYEE BENEFIT PLANS

Plan Description and Provisions – All full-time District employees participate in one of two statewide cost-sharing multiple-employer retirement benefit plans administered by the Public Employees Retirement Division (PERD). Contributions to the two plans are as required by State statute. Financial information for the two plans is reported in the Public Employees' Retirement Board's published Comprehensive Annual Financial Report for the fiscal year end. It is available from PERD at 100 North Park Avenue, Suite 220, P.O. Box 200131, Helena, MT 59620-0131. The authority to establish, amend and provide cost of living adjustments to the plans is assigned to the State legislature. The authority to establish and amend contribution rates to the plans is also assigned to the State legislature.

Public Employees' Retirement System (PERS)

All District employees are provided pension benefits by this multi-employer plan. Funding is provided by participating units of government and their covered employees. As of July 1, 2007, the District is required to contribute 6.935% of members' compensation, which was \$50,444 and \$47,040 for the years ended June 30, 2009 and 2008, respectively. Prior to July 1, 2007, the District was required to contribute 6.8% of members' compensation, which was \$42,588 for the fiscal year ended June 30, 2007. Plan members are required to contribute 6.9% of their compensation, which was \$50,189, \$46,802, and \$43,214 for the years ended June 30, 2009, 2008, and 2007, respectively. The State is required to contribute .1% of members' compensation, which was \$728, \$679, and \$627 for the years ended June 30, 2009, 2008, and 2007, respectively. One hundred percent of required contributions were made for all three years.

Defined Benefit Retirement Plan (DBRP) – Participants become eligible for benefits after age 60 and 5 years of service, after age 65 regardless of service, or 30 years of service regardless of age. The benefit is 1/56 of the final compensation for each year of credited service, paid as a modified cash refund annuity. A participant is eligible for early retirement benefits after age 50 and 5 years of service or after 25 year of service regardless of age. Rights become vested after 5 years of service.

Defined Contribution Retirement Plan (DCRP) – Participants may elect the defined contribution plan, in which the contributions into the plan are known, but the benefit is not. The retirement benefit received is based upon account balance, which is determined by contributions made plus investment earnings, or losses, less administrative costs. Employees become vested in the employer's contributions after 5 years of service and become vested in the employee's contributions immediately.

6. INTER-LOCAL AGREEMENT

The District is party to an agreement with the City of Belgrade. A description of the agreement is as follows:

Agreement dated February 17, 1999, covering the ten-year period to June 30, 2009 whereby the District agrees to provide the following services: fire suppression, fire prevention and education, emergency medical service, motor vehicle accident response, and hazardous material response; repair and maintenance of the City's firefighting equipment, the cost of which is to be paid by the City; repair and maintenance of the jointly owned structures with the disbursements shared equally between the City and District; basic general administration of the City Fire Department; necessary training and recruitment of firefighters; such other duties as from time to time may be agreed upon by the City and Board of Trustees of the District. The Chief reports to the City Manager on City Fire Department issues. Under this agreement, the City of Belgrade annually pays the equivalent of eighteen (18) mills. Such payments during the year were \$40,644 per quarter for each of the four quarters and are presented in the statement of activities as program revenues.

**CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

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.

REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL VALLEY FIRE DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
Taxes				
Real estate and property taxes	\$2,009,175	\$2,009,175	\$1,920,631	\$ (88,544)
Impact fees	525,000	525,000	346,000	(179,000)
Intergovernmental receipts:				
Cost sharing - Belgrade	167,152	167,152	162,576	(4,576)
Cost sharing - Airport	10,000	10,000	12,500	2,500
Cost sharing - Gallatin Gateway	2,200	2,200	3,834	1,634
Entitlement	85,000	85,000	94,576	9,576
Charges for services	43,000	43,000	43,969	969
Miscellaneous				
Grants	-	-	11,980	11,980
Other	2,500	2,500	4,521	2,021
Investment earnings	20,000	20,000	31,222	11,222
Total revenues	<u>2,864,027</u>	<u>2,864,027</u>	<u>2,631,809</u>	<u>(232,218)</u>
Expenditures				
Current:				
Public safety:				
Personal services				
Salaries and fringe benefits	1,224,110	1,224,110	1,100,116	(123,994)
Supplies				
Office and operating supplies	94,000	94,000	152,374	58,374
Gasoline and diesel fuel	45,000	45,000	31,901	(13,099)
Repair and maintenance	145,000	145,000	109,202	(35,798)
Purchased Services				
Dues and subscriptions	-	-	4,257	4,257
Election	1,500	1,500	4,986	3,486
Utilities and telephone	76,800	76,800	56,358	(20,442)
Physicals and related services	19,000	19,000	15,938	(3,062)
Professional and contracted services	20,500	20,500	21,582	1,082
Public communication	6,000	6,000	5,506	(494)
Standby	7,500	7,500	3,300	(4,200)
Training	80,000	80,000	49,027	(30,973)
Fixed charges				
Insurance	24,750	24,750	28,309	3,559
Storage	-	-	5,050	5,050

CENTRAL VALLEY FIRE DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Debt service				
Principal	599,336	599,336	324,081	(275,255)
Interest	149,000	149,000	148,761	(239)
Capital outlay	820,521	820,521	427,445	(393,076)
Contingency	<u>439,233</u>	<u>439,233</u>	<u>-</u>	<u>(439,233)</u>
Total expenditures	<u>3,752,250</u>	<u>3,752,250</u>	<u>2,488,193</u>	<u>(1,264,057)</u>
Excess (deficiency) of revenues over expenses	(888,223)	(888,223)	143,616	1,031,839
Other financing sources (uses)				
Proceeds from loans	151,240	151,240	148,769	(2,471)
Special item				
Proceeds from sale of equipment	<u>-</u>	<u>-</u>	<u>199,800</u>	<u>199,800</u>
Change in fund balances	(736,983)	(736,983)	492,185	<u>\$1,229,168</u>
Fund balances at beginning of year	<u>736,983</u>	<u>736,983</u>	<u>803,038</u>	
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,295,223</u>	

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

BUDGET COMPLIANCE

In accordance with Section 7-33-2105, Montana Code Annotated, the District's Board annually presents its budget to the Board of County Commissioners at the regular budget meetings as prescribed by law and therewith certifies the amount of money necessary and proper for the ensuing year. Based on this statute, the total budget is the legal level of budgetary authority. The budget cannot be increased except by a public emergency, which 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, these budgeted amounts may be adjusted by means of transfers of amounts between line items by resolution of the Board. All budget appropriations lapse at the end of the fiscal year.

BUDGET BASIS OF ACCOUNTING

The budget is prepared on the same basis of accounting used in preparing the District's fund financial statements.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Total expenditures were not in excess of the total budgeted expenditures during the fiscal year.

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

We have audited the financial statements of the governmental activities and major fund of Central Valley Fire District (District), as of and for the year ended June 30, 2009, which comprise Central Valley Fire District's basic financial statements and have issued our report thereon dated November 17, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects Central Valley Fire District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Central Valley Fire District's financial statements that is more than inconsequential will not be prevented or detected by the Central Valley Fire District's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting (09-01).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central Valley Fire District's financial statements are free of 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*.

Central Valley Fire District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Central Valley Fire District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board, and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



November 17, 2009

CENTRAL VALLEY FIRE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

INTERNAL CONTROL

09-01 Segregation of duties

The District has one employee who handles all of the accounting functions and who has sole access to the accounting software. It would be inefficient, considering the size of the District, for the District to hire additional personnel to achieve optimal internal controls. But, the District has taken several steps to involve Board members and management to obtain the best internal controls possible.

Management's response

The District has taken numerous steps to obtain the best internal controls possible. We have added two additional levels of management review, oversight and approval to optimize internal controls. The Board provides another two additional levels of internal control. We believe we have achieved the best internal controls possible by adding four levels of management and governing body member reviews, oversight and approval.

The successful result of these extensive internal controls is evident with a no exception audit. This has been achieved with the assistance of our auditors.

CENTRAL VALLEY FIRE DISTRICT
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

INTERNAL CONTROL

IMPLEMENTED

08-1 Segregation of Duties

Yes