

CENTRAL VALLEY FIRE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2013

CENTRAL VALLEY FIRE DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

June 3, 2014
Board of Trustees
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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, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

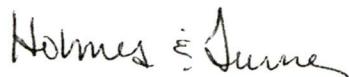
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-7 and 26-27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2014, on our consideration of the 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 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 Central Valley Fire District's internal control over financial reporting and compliance.



Holmes & Turner

**CENTRAL VALLEY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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, 2013. Please review this report along with the District's financial statements, which begin on page 6.

FINANCIAL HIGHLIGHTS

- Worked with the Insurance Services Office (ISO) to improve the Public Protection Classification from a 5 to a 3 in areas within 5 road miles of a Fire Station that are within 1000' of a fire hydrant, which will lower insurance costs for District residents.
- Implemented a 56 hour work week made up of three 24 hour shifts in a nine day rotation to reduce overtime and on-call time and improve response time.
- Established Operational Reserves and Capital Improvement Funds for Apparatus and Facilities.

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 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
JUNE 30, 2013**

The following table presents the District's net assets at June 30, 2013 and 2012:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Current assets	\$ 3,226,288	\$ 2,548,382
Capital assets, net	<u>2,674,125</u>	<u>3,323,041</u>
 Total assets	 <u>\$ 5,900,413</u>	 <u>\$ 5,871,423</u>
Current liabilities	\$ 129,709	\$ 133,551
Non-current liabilities	<u>1,912,127</u>	<u>2,170,632</u>
 Total liabilities	 <u>\$ 2,041,836</u>	 <u>\$ 2,304,183</u>
Net position:		
Invested in capital assets, net of related debt	\$ 881,421	\$ 1,307,270
Unrestricted net position	<u>2,977,156</u>	<u>2,259,970</u>
 Total net position	 <u>\$ 3,858,577</u>	 <u>\$ 3,567,240</u>

**CENTRAL VALLEY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

The following table presents the changes in the District's net assets for the fiscal years ending June 30, 2013 and 2012:

District real estate & property taxes	\$ 2,510,559	\$ 2,311,812
Impact fees	8,898	12,495
Investment earnings and other revenues	19,957	22,335
Miscellaneous	<u>52,728</u>	<u>14,026</u>
 Total general revenues and special items	 <u>2,592,142</u>	 <u>2,360,668</u>
 Program revenues - fees for service	 506,738	 428,977
Operating grants and contributions	<u>212,355</u>	<u>154,029</u>
 Total program revenue	 <u>719,093</u>	 <u>583,006</u>
 Total revenue and special items	 <u>\$ 3,311,235</u>	 <u>\$ 2,943,674</u>
 Expenses:		
Public safety	2,886,798	2,626,560
Interest on long-term debt	<u>104,416</u>	<u>125,287</u>
 Total expenses	 2,991,214	 2,751,847
 Less program revenues	 <u>(719,093)</u>	 <u>(583,006)</u>
 Net expenses	 <u>2,272,121</u>	 <u>2,168,841</u>
 Change in net position	 320,021	 191,827
 Net position - beginning	 <u>3,538,556</u>	 <u>3,375,413</u>
 Net position - ending	 <u>\$ 3,858,577</u>	 <u>\$ 3,567,240</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

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

**CENTRAL VALLEY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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. The District also provides fire and emergency services for the City of Belgrade residents through an Interlocal Agreement with the City of Belgrade. 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 being 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.

THE FUTURE OF THE DISTRICT

Central Valley Fire District (CVFD) is at a significant crossroads in its history. As with all things, time requires an organization to change and adapt to remain viable in an ever evolving society. The recommendations adopted by the Board of Trustees in the Analysis of the Central Valley Fire District and the City of Belgrade Fire Department will allow CVFD to be in a good position for meeting our citizen's needs with excellence in an effective and sustainable manner. It also provides direction to CVFD to where it can focus its energy.

The budget provides detail of revenue, both on-going and time limited, a realistic estimate of program management expense, a modest start towards a Capital Improvement Fund for apparatus and facilities, as well as operational reserves. The need for a year of operational reserve dollars reflects the six month lag of tax revenue receipts, provides funding for unanticipated emergencies, as well as provides six months of operational expenses.

The justification for this level of reserves is also evidenced by:

- Ending of \$394,000 Sunset levy O&M revenue in May of 2014
- Re-negotiation of the Interlocal Agreement with the City of Belgrade
- Ending of the Federal SAFER grant.
- Unfunded future Apparatus and Facilities Capital Improvement Projects

**CENTRAL VALLEY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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 fire station(s) 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.

BUDGET ANALYSIS

The focus of the FY13 budget was to provide value based emergency services to the citizens for the tax dollars they have entrusted to us. Even with the changes implemented the second half of the fiscal year; we came in under budget by 3%. The dollars not utilized were enough to fully fund the Operational Reserves as well as contribute towards the apparatus capital reserve fund established in FY13.

There were no changes made to the budget during the fiscal year ended June 30, 2013.

CENTRAL VALLEY FIRE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Governmental Activities</u>
Assets	
Cash and investments	\$ 2,839,228
Cash - restricted	20,699
Prepaid services	15,940
Grants and contracts receivable	259,284
Taxes receivable	91,137
Capital assets, net of accumulated depreciation, where applicable:	
Land	533,972
Depreciable buildings and infrastructure, net	<u>2,140,153</u>
Total assets	<u>5,900,413</u>
Liabilities	
Accounts payable	77,111
Accrued salaries and payroll taxes	31,899
Unearned revenue - restricted cash	20,699
Long-term liabilities:	
Compensated absences	119,423
Loan payable - current portion	234,358
Loan payable - long-term portion	<u>1,558,346</u>
Total liabilities	<u>2,041,836</u>
Net position	
Invested in capital assets, net of related debt	881,421
Unrestricted	<u>2,977,156</u>
Total net position	<u><u>\$ 3,858,577</u></u>

See accompanying notes to the financial statements.

CENTRAL VALLEY FIRE DISTRICT
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2013

Expenses:	
Public safety - fire protection	\$ 2,886,798
Interest on long-term debt	<u>104,416</u>
Total expenses	<u>2,991,214</u>
Program revenues:	
Charges for services	506,738
Operating grants and contributions	<u>212,355</u>
Total program revenues	<u>719,093</u>
Net program expense	<u>2,272,121</u>
General revenues:	
Real estate and property taxes	2,510,559
Miscellaneous	52,728
Impact fees	8,898
Investment income	<u>19,957</u>
Total general revenues	<u>2,592,142</u>
Change in net position	<u>320,021</u>
Net position at beginning of year	3,567,240
Prior period adjustment	<u>(28,684)</u>
Net position, beginning of year, restated	<u>3,538,556</u>
Net position at end of year	<u><u>\$ 3,858,577</u></u>

See accompanying notes to the financial statements.

CENTRAL VALLEY FIRE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2013

	Governmental Fund Type
	General Fund
Assets	
Cash	\$ 2,839,228
Cash - restricted	20,699
Prepaid services	15,940
Grants and contracts receivable	259,284
Property taxes receivable	91,137
Total assets	\$ 3,226,288
Liabilities , Deferred Inflows of Resources, and Fund Balances	
Liabilities	
Accounts payable	\$ 77,111
Accrued salaries and payroll taxes	31,899
Unearned revenue - restricted cash	20,699
Unearned revenue - grants	170,850
Total liabilities	300,559
Deferred inflows of resources:	
Unearned revenue - property taxes	81,743
Total deferred inflows of resources	81,743
Fund Balances:	
Non-spendable	
Prepaid items	15,940
Unassigned	2,828,046
Total fund balances	2,843,986
Total liabilities, deferred inflows of resources, and fund equity	\$ 3,226,288

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 POSITION
JUNE 30, 2013

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

Fund balance of the governmental fund	\$ 2,843,986
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 and grants receivable) are offset by deferred revenue in the governmental funds, and thus are not included in fund balance.	252,593
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the balance sheet of the governmental fund.	2,674,125
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,912,127)</u>
Net position of governmental activities	<u><u>\$ 3,858,577</u></u>

See accompanying notes to the financial statements.

CENTRAL VALLEY FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund
Revenues	
Taxes	
Real estate and property taxes	\$ 2,210,562
Impact fees	8,898
Intergovernmental receipts:	
Cost sharing - Belgrade	476,275
Cost sharing - Airport	7,500
Entitlement	101,083
Charges for services	22,963
Miscellaneous	
Grants	212,355
Other	52,728
Investment earnings	19,957
	3,112,321
Total revenues	
Expenditures	
Current:	
Public safety:	
Personal services	
Salaries and fringe benefits	1,475,042
Supplies	
Office and operating supplies	235,437
Gasoline and diesel fuel	48,273
Repair and maintenance	162,473
Safety equipment	31,191
Purchased services	
Dues and subscriptions	3,433
Election	7,104
Utilities and telephone	73,284
Physicals and related services	7,388
Professional and contracted services	41,981
Public communication	7,920
Training	78,555
Fixed charges	
Insurance	23,252
Rent	9,500

See accompanying notes to the financial statements

CENTRAL VALLEY FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund
Expenditures (continued)	
Debt service:	
Principal	223,068
Interest	104,416
Capital outlay	97,170
Total expenditures	2,629,487
Excess of revenues over expenses	482,834
Net change in fund balance	482,834
Fund balance at beginning of year	2,361,152
Fund balance at end of year	\$ 2,843,986

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, 2013

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

Net change in fund balance - governmental fund	\$	482,834
The portion of property taxes receivable that will not be collected for several months after the District's fiscal year end is not considered "available" revenue in the governmental funds.		198,914
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 (\$97,170) is exceeded by depreciation (\$696,493) in the current period.		(599,323)
In the statement of activities, the loss on the disposal of a capital asset is reported, whereas in the governmental funds, only the proceeds, if any, that are received at the time of disposal are reported. The District disposed assets for which there were no proceeds. Thus, the change in net assets differs from the change in fund balance by the net book value of the asset disposed.		(20,910)
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.		35,438
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.		<u>223,068</u>
Change in net assets of governmental activities	\$	<u><u>320,021</u></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, 2013, 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, 2013, 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,

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 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.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. 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 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.

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	5-20
Vehicles	5-15
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 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. 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 deposit 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.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Fire Protection Impact Fee Revenues (Continued)

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, 2013, the County held \$20,699 in the impact fee fund. This amount is shown as restricted cash and deferred revenue as of June 30, 2013. The District recognizes revenue from impact fees when the Commissioners approve the District's request to spend the fees.

J. 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.

GASB 54 requires the fund balance amounts to be properly reported within one of the following fund balance categories: nonspendable, restricted, committed, assigned, and unassigned. The District's general fund balance is unassigned, which is defined as the total fund balance in the general fund in excess of nonspendable, restricted, committed or assigned.

K. Use of Restricted Fund Balance

When an expense is incurred for purposes for which both restricted and unrestricted fund balance are available, the District's policy is to apply restricted fund balance first.

L. 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.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Recent Accounting Pronouncements

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB Statement No. 63). This Statement provides a new net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The Department implemented GASB Statement No. 63 beginning with the year ending June 30, 2013.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB Statement No. 65), and is effective in fiscal year 2014, with earlier implementation encouraged. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The District has not yet determined the effect that the adoption of this statement may have on its financial statements.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (GASB Statement No. 68). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by other entities. The District participates in the Montana Retirement System that is administered by the State of Montana. Under this standard, the Department will be required to report a net pension liability, pension expense, and pension-related deferred inflows and outflows of resources based on its proportionate share of the collective amounts for all the governments in the Montana Retirement System plan. The Department will receive the amounts it will be required to report on its financial statements from the Montana Retirement System beginning in fiscal year 2014.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS

As of June 30, 2013, the District had \$995 and \$105 held in two petty cash accounts. At this same date, the District had the following investment:

	<u>Unrestricted</u>	<u>Restricted</u>
Gallatin County External Investment Pool	<u>\$ 2,838,128</u>	<u>\$ 20,699</u>

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

Information pertaining to the interest rate risk of this investment is available from Gallatin County's audited financial statements which can be obtained from the County by requesting audited financial statements from Gallatin County Finance Department, 311 West Main Street, room 304A, Bozeman, Montana 59715.

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, 2013 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 533,972	\$ -	\$ -	\$ 533,972
Construction in process	20,113	-	(20,113)	-
Total capital assets, not being depreciated	<u>554,085</u>	<u>-</u>	<u>(20,113)</u>	<u>533,972</u>
Capital assets, being depreciated:				
Buildings and Improvements	2,271,783	11,101	-	2,282,884
Equipment	711,948	36,119	(96,687)	651,380
Furniture	4,655	-	-	4,655
Vehicles	3,764,061	49,950	(5,975)	3,808,036
Total capital assets, being depreciated	<u>6,752,447</u>	<u>97,170</u>	<u>(102,662)</u>	<u>6,746,955</u>
Less accumulated depreciation:				
Building and Improvements	(554,763)	(75,199)	-	(629,962)
Equipment	(535,404)	(65,635)	96,687	(504,352)
Furniture	(2,811)	(466)	-	(3,277)
Vehicles	(2,890,513)	(583,876)	5,178	(3,469,211)
Total accumulated depreciation	<u>(3,983,491)</u>	<u>(725,176)</u>	<u>101,865</u>	<u>(4,606,802)</u>
Total net capital assets, being depreciated	<u>2,768,956</u>	<u>(628,006)</u>	<u>(797)</u>	<u>2,140,153</u>
Governmental activities capital assets, net	<u>\$ 3,323,041</u>	<u>\$ (628,006)</u>	<u>\$ (20,910)</u>	<u>\$ 2,674,125</u>

Depreciation expense totaling \$696,493 was charged to Public Safety.

4. LONG-TERM LIABILITIES

Loans payable

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.

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.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

4. LONG-TERM LIABILITIES (Continued)

Changes in Long-term Liabilities

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Loan payable	\$ 241,167	\$ -	\$ (63,457)	\$ 177,710	\$ 66,662
Loan payable - vehicles	1,774,604	-	(159,610)	\$ 1,614,994	167,696
Compensated absences	154,861	-	(35,438)	119,423	-
Total long-term liabilities	<u>\$ 2,170,632</u>	<u>\$ -</u>	<u>\$ (258,505)</u>	<u>\$ 1,912,127</u>	<u>\$ 234,358</u>

The following are the principal and interest requirements for the loans payable as of June 30, 2013:

<u>Fiscal year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 234,358	\$ 93,125	\$ 327,483
2015	246,289	81,195	327,484
2016	227,026	68,655	295,681
2017	195,520	56,964	252,484
2018	205,784	46,699	252,483
2019-2021	683,727	72,978	756,705
	<u>\$ 1,792,704</u>	<u>\$ 419,616</u>	<u>\$ 2,212,320</u>

5. EMPLOYEE BENEFIT PLANS

Plan Description and Provisions – All 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.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

5. EMPLOYEE BENEFIT PLANS (Continued)

Public Employees' Retirement System (PERS)

One District employee is provided pension benefits by this multi-employer plan. Funding is provided by participating units of government and their covered employees. The District is required to contribute 7.07% of members' compensation, which was \$3,142, \$2,955 and \$2,897 for the fiscal years ended June 30, 2013, 2012, and 2011, respectively. Plan members are required to contribute 6.9% of their compensation, which was \$3,066, \$2,884, and \$2,828 for the fiscal years ended June 30, 2013, 2012, and 2011, respectively. The state is required to contribute .1% of members' compensation, which was approximately \$44, \$42, and \$41 for the years ended June 30, 2013, 2012, and 2011, respectively. One hundred percent of required contributions were made for all three years.

Defined Benefit Retirement Plan (DBRP) – If hired before July 1, 2011, participants become eligible for benefits after age 60 with 5 years of service, after age 65 regardless of service, or 30 years of service regardless of age. The benefit for members hired prior to July 1, 2011, with less than 25 years of membership, is 1.785% of the highest average compensation per year of service credit. For 25 or more years of membership service the percentage is increased to 2%. If hired after July 1, 2011, participants become eligible for benefits after age 65 with 5 years of membership service, or after 70 regardless of service or in active service. The benefit for those hired on or after July 1, 2011, with more than 5 and less than 10 years of membership service, is 1.5% of the highest average compensation per year of service credit. Membership service of 10 years or more, but less than 30, receives 1.785%. 30 years or more of membership service increases to 2%. The benefits are paid as a modified cash refund annuity. A participant is eligible for early retirement benefits after age 55 and 5 years of service. 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.

Firefighter's Unified Retirement System (FURS)

In September 2009, the Board approved the firefighter's participation in the Firefighters Unified Retirement System (FURS). Funding is provided by units of local government, their covered employees and the State of Montana. The District is required to contribute 14.36% of members' compensation. The District's contributions to this plan for the fiscal years ended June 30, 2013, 2012, and 2011 were \$105,360, \$87,849 and \$84,275, respectively. One hundred percent of the required contributions were made. Plan members are required to contribute 10.7% of monthly compensation, since all firefighters have elected to be covered under the guaranteed annual benefit adjustment (GABA). The State is required to contribute 32.61%, which was \$239,261, \$197,939, and \$191,380 for fiscal years ended June 30, 2013, 2012, and 2011, respectively. Covered payroll for the fiscal years ended June 30, 2013, 2012, 2011 was \$733,704, \$606,988, and \$586,875 respectively.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

5. EMPLOYEE BENEFIT PLANS (Continued)

Participants are eligible for benefits after 20 years of service regardless of age or at age 50 after 5 years of service. Participants are vested after five years. To determine benefits, member's compensation is calculated to be the highest average compensation (HAC) for the last consecutive 36 months and members receive 2.5% of HAC per year of service. After a member has completed 12 full months of retirement, the benefit increases by a maximum of 3% each January inclusive of all other adjustments to the member's benefits.

6. INTER-LOCAL AGREEMENT

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

Agreement dated March 2, 2009, covering the five-year period to June 30, 2014 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 thirty-seven (37) mills, but not less than \$334,184. Such payments during the year were \$100,805 per quarter for each of the four quarters. In addition to the thirty-seven (37) mills, the City agrees to provide at last ten (10) mills for supplies, safety equipment and to pay for ancillary costs associated with the fire department operations. Such payments during the year totaled \$73,053 These payments are presented in the statement of activities as program revenues.

7. OPERATING LEASE

In fiscal year 2013, the District entered into a (5) five year lease for the purpose of housing equipment. The lease commenced on October 10, 2012 and will terminate September 30, 2017. There is an option to extend the term of the lease for (1) one additional five (5) year term with the rate to be determined at that time. Lease payments begin at \$1,000 per month and increase 3% per year.

The following are the future lease payments as of June 30, 2013:

Fiscal year ended June 30:

2014	\$ 12,270
2015	12,638
2016	13,017
2017	<u>13,408</u>
Total	<u>\$ 51,333</u>

Lease expense totaled \$9,500 for the period ended June 30, 2013.

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.

8. COMMITMENTS AND CONTINGENCIES

The District is involved in a lawsuit arising in the ordinary course of operations. As of June 30, 2013, the District cannot predict the outcome of the lawsuit or estimate the amount of any loss that may result. Accordingly, no provision for a contingent liability that may result has been made in the financial statements.

The District is currently in labor negotiations with respect to issues related to a union organization and potential collective bargaining agreement.

9. PRIOR PERIOD ADJUSTMENT

The beginning balance of net position was restated by \$28,684 due to the identification of an error in prior years' depreciation expense. For the period ending June 30, 2012, this prior period adjustment resulted in a decrease in beginning net position of \$19,122, and a decrease in the change in net position of \$9,562.

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 3, 2014, the date on which the financial statements were available to be issued. Subsequent to June 30, 2013, the District refinanced long-term debt in the amount of \$1,614,339 at a reduced interest rate, and retired long-term debt of \$177,710.

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, 2013

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
Taxes				
Real estate and property taxes	\$ 2,224,957	\$ 2,224,957	\$ 2,210,562	\$ (14,395)
Other	800,096	800,096	901,759	101,663
Total revenues	<u>3,025,053</u>	<u>3,025,053</u>	<u>3,112,321</u>	<u>87,268</u>
Expenditures				
Current:				
Public safety:				
Personal services				
Salaries and fringe benefits	1,418,323	1,418,323	1,475,042	56,719
Supplies				
Office and operating supplies	163,000	163,000	235,437	72,437
Gasoline and diesel fuel	42,000	42,000	48,273	6,273
Repair and maintenance	253,000	253,000	162,473	(90,527)
Safety equipment	-	-	31,191	31,191
Purchased Services				
Dues and subscriptions	-	-	3,433	3,433
Election	15,000	15,000	7,104	(7,896)
Utilities and telephone	80,000	80,000	73,284	(6,716)
Physicals and related services	34,000	34,000	7,388	(26,612)
Professional and contracted services	81,250	81,250	41,981	(39,269)
Public communication	10,700	10,700	7,920	(2,780)
Training	80,000	80,000	78,555	(1,445)
Fixed charges				
Insurance	25,000	25,000	23,252	(1,748)
Rent	-	-	9,500	9,500
Debt service:				
Principal	675,081	675,081	223,068	(452,013)
Interest	138,000	138,000	104,416	(33,584)
Capital outlay	477,578	477,578	97,170	(380,408)
Grants	35,000	35,000	-	(35,000)
Contingency	1,305,881	1,305,881	-	(1,305,881)
Total expenditures	<u>4,833,813</u>	<u>4,833,813</u>	<u>2,629,487</u>	<u>(2,204,326)</u>
Excess (deficiency) of revenues over expenses	<u>(1,808,760)</u>	<u>(1,808,760)</u>	<u>482,834</u>	<u>2,291,594</u>

CENTRAL VALLEY FIRE DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Change in fund balances	<u>(1,808,760)</u>	<u>(1,808,760)</u>	<u>482,834</u>	<u>2,291,594</u>
Fund balances at beginning of year	<u>1,808,760</u>	<u>1,808,760</u>	<u>2,361,152</u>	
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,843,986</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.

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Central Valley Fire District (District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Central Valley Fire District's basic financial statements and have issued our report thereon June 3, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Central Valley Fire District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central Valley Fire District's internal control. Accordingly, we 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. [13-01]

June 3, 2014
Board of Trustees
Page Two

Compliance and Other Matters

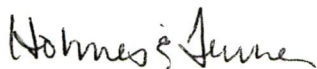
As part of obtaining reasonable assurance that Central Valley Fire District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and responses as items [13-02 and 13-03].

Central Valley Fire District's Response to Findings

Central Valley Fire District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Central Valley Fire District's responses were not subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



June 3, 2014

CENTRAL VALLEY FIRE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

INTERNAL CONTROL

13-01 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 believe we have achieved the best internal controls possible by adding levels of management and governing body member reviews, oversight and approval.

COMPLIANCE

13-02 Volunteer Reimbursement Policy

We reviewed the District's policy regarding reimbursement of expenses incurred by members while serving as volunteers. According to the policy, the reimbursements include, but are not limited to, transportation to and from fire service activities, meals, clothing cleaning and replacement, and other incidental expenses incurred while members are engaged in fire service activities including service at fire stations and responses while not at the fire station. These reimbursements are treated as nontaxable payments to the volunteers although the documentation received for the reimbursements does not meet the Internal Revenue Services' requirement for an accountable plan. Therefore these payments should be taxable.

We recommend that District management review and revise this policy, so the District is in compliance with the applicable laws.

Management's response

Management has reviewed the policy and concurs with the above conclusion. We are working with the volunteers to establish a revised policy, which will be in compliance with all applicable laws.

13-03 Notice of Preliminary or Amended Budget

MCA 7-1-2121 defines the publication requirements related to a public hearing on the preliminary or amended budget. The District posted this notice in three public places, however failed to publish the notice in a newspaper as required by MCA 7-1-2121.

Management's response

Management is aware of the requirements for publication of the budget and will be more diligent during the budget process to prevent this oversight from reoccurring.

CENTRAL VALLEY FIRE DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

INTERNAL CONTROL

IMPLEMENTED

12-01 Segregation of Duties

See current year finding 13-01

12-02 Overtime

Yes

COMPLIANCE

12-03 Volunteer Reimbursement Policy

See current year finding 13-02