

CENTRAL VALLEY FIRE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Central Valley Fire District as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 32-35 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 March 8, 2016, 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

March 8, 2016

**CENTRAL VALLEY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

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, 2015. Please review this report along with the District's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- Upgraded Fire Station 2 living quarters to house four firefighters.
- Installed a back-up electrical generator to Fire Station 1.
- Replaced a set of hydraulic extrication equipment with electric/hydraulic tools.
- Replaced a Life-pack 15 with grant funding.
- Hired two full time firefighters.
- Hired a full time Training Officer.
- Developed a state of the art grant funded Web Page.
- Contributed to Operational Reserves and Capital Improvement Funds for Apparatus and Facilities upgrades.

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
YEAR ENDED JUNE 30, 2015**

The following table presents the District's net assets at June 30, 2015 and 2014:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Current assets	\$ 4,663,536	\$ 4,076,167
Capital assets, net	2,510,210	2,393,353
Deferred outflows of resources - pension	<u>115,905</u>	<u>-</u>
 Total assets	 <u>7,289,651</u>	 <u>6,469,520</u>
Current liabilities	250,550	457,141
Non-current liabilities	<u>1,855,194</u>	<u>1,298,988</u>
 Total liabilities	 <u>2,105,744</u>	 <u>1,756,129</u>
Deferred inflows of resources		
Pension plans	<u>115,928</u>	<u>-</u>
Total deferred inflows of resources	<u>115,928</u>	<u>-</u>
Net position:		
Net investment in capital assets	1,337,685	970,080
Unrestricted net position	3,655,189	3,680,061
Restricted for capital purchases	<u>75,105</u>	<u>63,250</u>
 Total net position	 <u>\$ 5,067,979</u>	 <u>\$ 4,713,391</u>

**CENTRAL VALLEY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

The following table presents the changes in the District's net assets for the fiscal years ending June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
General revenues:		
District real estate & property taxes	\$ 2,475,505	\$ 2,421,634
Impact fees	11,855	54,352
Intergovernmental revenues	786,599	873,589
Investment earnings	30,424	24,845
Miscellaneous	<u>44,911</u>	<u>112,022</u>
Total general revenues and special items	<u>3,349,294</u>	<u>3,486,442</u>
Program revenues - fees for service	29,759	23,980
Operating and capital grants and contributions	<u>63,767</u>	<u>60,446</u>
Total program revenue	<u>93,526</u>	<u>84,426</u>
 Total revenue and special items	 <u>\$ 3,442,820</u>	 <u>\$ 3,570,868</u>
Expenses:		
Public safety	\$ 2,423,360	\$ 2,653,776
Interest on long-term debt	<u>40,339</u>	<u>62,278</u>
Total expenses	2,463,699	2,716,054
Less program revenues	<u>(93,526)</u>	<u>(84,426)</u>
Net expenses	2,370,173	2,631,628
General revenues	<u>3,349,294</u>	<u>3,486,442</u>
Change in net position	979,121	854,814
Net position - beginning	<u>4,713,391</u>	<u>3,858,577</u>
Prior period adjustment	<u>(624,533)</u>	<u>-</u>
Net position - ending	<u>\$ 5,067,979</u>	<u>\$ 4,713,391</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

In 2007, the District taxpayers approved additional funding for replacement of support and fire/rescue apparatus. The District continues to pay on the one remaining capital apparatus loan. In 2013, District policy changed to move towards debt elimination with the goal of reducing interest payments. Several loans were paid off and the one remaining loan refinanced at a lower interest rate.

**CENTRAL VALLEY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

DISTRICT OVERVIEW

The 200 square mile Central Valley Fire District (CVFD) provides fire and emergency services to the suburban and rural areas surrounding the City of Belgrade; north Four Corners, Dry Creek, Reese Creek, River Rock, Valley Center, and Springhill corridor. The District also provides fire and emergency services for Belgrade residents through an Interlocal Agreement with the City of Belgrade.

With growth and development, the Cities of Belgrade and Bozeman 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. Generally, property lost to annexation is higher valued than property gained by annexation; resulting in a net revenue loss. However growth increases the population being served as well as the amount of property being protected, which generates additional revenue to fund the District. This, coupled with the increased expectations of the public, changing public protection standards, and the challenge of providing an appropriate level of reliable service to a diverse populous; creates the necessity to build new fire stations, upgrade existing facilities, provide appropriate apparatus and equipment, keep current on national safety standards, and increase staffing as needed.

THE FUTURE OF THE DISTRICT

Due to property devaluation, Central Valley Fire District has entered a two year depressed fiscal cycle. Because of this, the ability to move forward with major financial programs has been delayed approximately one year. Regardless, the District remains on an ambitious course to provide appropriate infrastructure in the form of fire stations and staffing.

The budget provides detail of revenue, both on-going and time limited, a realistic estimate of program management expense, maintaining a 6 month Operational Reserve Fund, as well as significant commitment to build a robust Capital Improvement Fund for apparatus and facilities. The need for this becomes apparent considering:

- FY 16 - Build \$200K fire station 7, hire 3 firefighters if SAFER grant is approved, save \$300k for new station.
- FY 17 - Start infrastructure of new fire station, up to \$200K (Plans, utilities, excavation as needed) and save \$300K for new station
- FY 18 - Build and move into new main station, sell current facilities of station and training center.
- FY 19 - Save \$500K for building Station 6, evaluate apparatus replacement
- FY 20 - Save \$500 K and Build Station 6 south of Belgrade
- FY 21 - Seek renewal of existing levies for career staff and fire apparatus
- FY 22 - Re-evaluate staffing model based on growth and replenish reserves
- FY 23 - Evaluate need for joint Valley Center Fire Station

**CENTRAL VALLEY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

BUDGET ANALYSIS

The focus of the Fiscal Year 2015 budget was to provide value based emergency services to the citizens for the tax dollars they have entrusted to us. The dollars not expended were transferred to the Facilities Capital Reserve Fund to replace Station 1.

There were no changes made to the budget during the fiscal year ended June 30, 2015.

CENTRAL VALLEY FIRE DISTRICT
GOVERNMENTAL FUND BALANCE SHEET AND
STATEMENT OF NET POSITION
JUNE 30, 2015

	General Fund	Adjustments	Statement of Net Position
Assets and deferred outflows of resources			
Cash and investments - unrestricted	\$ 1,757,918	\$ -	\$ 1,757,918
Cash and investments - committed	2,698,143	-	2,698,143
Cash and investments - restricted	75,105	-	75,105
Contracts receivable	7,101	-	7,101
Property taxes receivable	95,231	-	95,231
Prepaid expenses	30,038	-	30,038
Capital assets, nondepreciable	-	533,972	a 533,972
Capital assets, depreciable, net	-	1,976,238	a 1,976,238
Total assets	<u>4,663,536</u>	<u>2,510,210</u>	<u>7,173,746</u>
Deferred outflows of resources - pension	-	115,905	b 115,905
Total assets and deferred outflows of resources	<u>\$ 4,663,536</u>	<u>\$ 2,626,115</u>	<u>\$ 7,289,651</u>
Liabilities, deferred inflows of resources, and fund balance / net position			
Accounts payable	\$ 133,736	\$ -	\$ 133,736
Accrued liabilities	78,210	38,604	c 116,814
Long-term liabilities, due in one year	-	265,608	c 265,608
Long-term liabilities, due after one year	-	1,589,586	c 1,589,586
Total liabilities	<u>211,946</u>	<u>1,893,798</u>	<u>2,105,744</u>
Deferred inflows of resources			
Unavailable revenue - property taxes	23,639	(23,639)	d -
Pension plans	-	115,928	b 115,928
Total deferred inflows of resources	<u>23,639</u>	<u>92,289</u>	<u>115,928</u>
Fund balance / net position			
Net investment in capital assets	-	1,337,685	a 1,337,685
Nonspendable	30,038	(30,038)	e -
Restricted	75,105	-	75,105
Committed	2,698,143	(2,698,143)	e -
Unassigned / unrestricted	<u>1,624,665</u>	<u>2,030,524</u>	<u>e 3,655,189</u>
Total fund balance / net position	<u>4,427,951</u>	<u>640,028</u>	<u>5,067,979</u>
Total liabilities, deferred inflows of resources and fund balance / net position	<u>\$ 4,663,536</u>	<u>\$ 2,626,115</u>	<u>\$ 7,289,651</u>

a Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund.

b Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental fund.

c Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund financial statement. Accrued interest on long-term liabilities are also not reported in the governmental fund.

d Deferred inflows of resources related to taxes are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the governmental fund.

e Reclassifications to report net position in the required categories.

See accompanying notes to the financial statements.

CENTRAL VALLEY FIRE DISTRICT
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
AND STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	General Fund	Adjustments		Statement of Activities
Expenses:				
Public safety - fire protection				
Personal services	\$ 1,689,159	\$ (189,905)	a, e	\$ 1,499,254
Supplies	356,747	-		356,747
Purchased services	350,554	-		350,554
Fixed charges	45,896	-		45,896
Depreciation	-	170,909	c	170,909
Debt service - principal	250,748	(250,748)	b	-
Debt service - interest	1,736	38,603	b	40,339
Capital outlay	<u>287,766</u>	<u>(287,766)</u>	c	<u>-</u>
Total expenses	<u>2,982,606</u>	<u>(518,907)</u>		<u>2,463,699</u>
Program revenues:				
Charges for services	29,759	-		29,759
Operating grants and contributions	39,518	-		39,518
Capital grants and contributions	<u>24,249</u>	<u>-</u>		<u>24,249</u>
Total program revenues	93,526	<u>-</u>		<u>93,526</u>
Net expense				<u>(2,370,173)</u>
General revenues:				
Real estate and property taxes	2,495,860	(20,355)	d	2,475,505
Intergovernmental revenues	920,032	(121,578)	e	798,454
Miscellaneous	44,911	-		44,911
Investment earnings	<u>30,424</u>	<u>-</u>		<u>30,424</u>
Total revenues / total general revenues	<u>3,584,753</u>	<u>(141,933)</u>		<u>3,349,294</u>
Change in fund balance / net position	602,147	376,974		979,121
Fund balance / net position - beginning	3,825,804	887,587		4,713,391
Prior period adjustment	<u>-</u>	<u>(624,533)</u>	f	<u>(624,533)</u>
Fund balance / net position - ending	<u>\$ 4,427,951</u>	<u>\$ 640,028</u>		<u>\$ 5,067,979</u>

- a Accrued compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds (adjustment of \$12,573).
- b Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net assets (\$250,748). The accrued interest of \$38,603 is not reported in the governmental fund.
- c Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$170,909) was exceeded by capital outlay (\$287,766) for the current period.
- d Taxes receivable, which are not expected to be received within 60 days of June 30, 2015, are not available to pay for current period expenditures and, therefore, are deferred in the governmental fund, but are recognized as revenue in the statement of activities.
- e Governmental funds report pension contributions and the related on-behalf payments by the State of Montana as expenditures. In the statement of activities, the actuarially calculated cost of the pension benefits (adjustment of \$76,163) and the related on-behalf payments by the State of Montana (adjustment of \$154,953) are reported as pension expense.
- f Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund. The prior period adjustment is related to the net pension liability.

See accompanying notes to the financial statements.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 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, 2015, 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 year ended June 30, 2015, 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.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 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
JUNE 30, 2015

NOTE 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. Any excess leave must be used by March 30 of the following year. At termination, employees are paid for any accumulated vacation leave, up to the maximum accumulation, at the current rate of pay.

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

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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, 2015, the County had \$75,105 in the impact fee fund. This amount is shown as restricted cash and restricted fund balance/net position as of June 30, 2015.

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.

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

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

The committed fund balance category includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, the Board of Trustees. The Board needs to formally adopt a Resolution in order to establish, modify, or rescind a fund balance commitment.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Fund Balance (Continued)

Amounts in the assigned fund balance are to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed.

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

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. Net Position

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

NOTE 2. CASH AND INVESTMENTS

As of June 30, 2015, the District had \$716 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>\$ 4,455,240</u>	<u>\$ 75,105</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. 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
JUNE 30, 2015

NOTE 3. CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 533,972	\$ -	\$ -	\$ 533,972
Capital assets, being depreciated:				
Buildings and improvements	2,282,884	198,139	-	2,481,023
Equipment	661,798	62,634	1,251	723,181
Furniture	4,655	-	-	4,655
Vehicles	<u>3,808,036</u>	<u>26,993</u>	<u>-</u>	<u>3,835,029</u>
Total	<u>6,757,373</u>	<u>287,766</u>	<u>1,251</u>	<u>7,043,888</u>
Less accumulated depreciation for:				
Buildings and improvements	708,700	76,300	-	785,000
Equipment	531,345	59,862	1,251	589,956
Furniture	3,743	465	-	4,208
Vehicles	<u>3,654,204</u>	<u>34,282</u>	<u>-</u>	<u>3,688,486</u>
Total	<u>4,897,992</u>	<u>170,909</u>	<u>1,251</u>	<u>5,067,650</u>
Total net capital assets, being depreciated	<u>1,859,381</u>	<u>116,857</u>	<u>-</u>	<u>1,976,238</u>
Governmental activities capital assets, net	<u>\$ 2,393,353</u>	<u>\$ 116,857</u>	<u>\$ -</u>	<u>\$ 2,510,210</u>

Depreciation expense totaling \$170,909 was charged to Public Safety.

NOTE 4. LONG-TERM LIABILITIES

Loans payable

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. In September 2013, the District refinanced this loan and the new interest rate is 3.38% and the seven remaining annual payments were changed to \$232,258.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 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, 2015:

<u>Description</u>	<u>Restated Beginning July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending June 30, 2015</u>	<u>Amounts Due within One Year</u>
Loan payable - vehicles	\$ 1,423,273	\$ -	\$ (250,748)	\$ 1,172,525	\$ 193,508
Compensated absences	126,486	-	(12,573)	113,913	72,100
Net pension liability	<u>728,301</u>	<u>-</u>	<u>(159,545)</u>	<u>568,756</u>	<u>-</u>
Total long-term liabilities	<u>\$ 2,278,060</u>	<u>\$ -</u>	<u>\$ (422,866)</u>	<u>\$ 1,855,194</u>	<u>\$ 265,608</u>

The following are the principal and interest requirements for the loan payable as of June 30, 2015:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 193,508	\$ 38,750	\$ 232,258
2017	199,181	33,077	232,258
2018	205,913	26,345	232,258
2019	212,873	19,385	232,258
2020	220,068	12,190	232,258
2021	<u>140,982</u>	<u>4,752</u>	<u>145,734</u>
	<u>\$ 1,172,525</u>	<u>\$ 134,499</u>	<u>\$ 1,307,024</u>

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5. RETIREMENT PLANS

Plan Description - Firefighters' Unified Retirement System (FURS)

The Firefighters' Unified Retirement System (FURS), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing defined benefit plan established in 1981, and governed by Title 19, chapters 2 & 13, Montana Code Annotated (MCA). This system provides retirement benefits to firefighters employed by first- and second-class cities, other cities and rural fire district departments that adopt the plan, and to firefighters hired by the Montana Air National Guard on or after October 1, 2001. Benefits are established by state law and can only be amended by the Legislature. The FURS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and either final monthly compensation or final average compensation. Effective July 1, 2005, the benefits are based on highest average compensation and highest average compensation. Member rights for death and disability are vested immediately. All other member rights are vested after five years of service.

Plan Description - Public Employee Retirement System (PERS)

The PERS-Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, MCA. This plan covers the State, local governments, certain employees of the Montana University System, and school districts.

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

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation. Member rights are vested after five years of service.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5. RETIREMENT PLANS (CONTINUED)

Summary of Benefits - FURS

Member's compensation

Hired prior to July 1, 1981 and not electing GABA – highest monthly compensation (HMC);
Hired after June 30, 1981 and those electing GABA – highest average compensation (HAC)
during any consecutive 36 months.

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

Eligibility for benefit

20 years of membership service, regardless of age.

Early Retirement

Age 50, 5 years of membership service.

Vesting

5 years of membership service.

Monthly benefit formula

Members hired prior to July 1, 1981 and not electing GABA are entitled to the greater of:

2.5% of HMC per year of service, OR

- i. If less than 20 years of service – 2% of HMC for each year of service;
- ii. If more than 20 years of service – 50% of the member's HMC plus 2% of the
member's HMC for each year of service over 20 years.

Members hired on or after July 1, 1981 and those electing GABA:

2.5% of HAC per year of membership service.

Guaranteed Annual Benefit Adjustment (GABA)

Hired on or after July 1, 1997, or those electing GABA - after the member has completed 12
full months of retirement, the member's benefit increases by a maximum of 3% each January,
inclusive of all other adjustments to the member's benefit.

Minimum Benefit Adjustment (non-GABA)

If hired before July 1, 1997, the monthly retirement, disability or survivor's benefit may not
be less than ½ the compensation of a newly confirmed firefighter employed by the city that
last employed the member (provided the member has at least 10 years of membership
service). If a benefit falls below that minimum, the benefit is increased and paid to the benefit
recipient.

Total number of members (employees) covered by benefit terms as of June 30, 2015:

1. Active plan members: 627
2. Inactive members entitled to but not yet receiving benefits or a refund: Vested: 21, Non-
vested: 71
3. Inactive members and beneficiaries currently receiving benefits: Service Retirements:
580, Disability Retirements: 9, Survivor Benefits: 20

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5. RETIREMENT PLANS (CONTINUED)

Summary of Benefits – PERS

Member's highest average compensation (HAC)

Hired prior to July 1, 2011 - highest average compensation during any consecutive 36 months;

Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months;

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

Eligibility for benefit

Service retirement:

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

Early retirement, actuarially reduced:

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

Vesting

5 years of membership service

Monthly benefit formula

Members hired prior to July 1, 2011:

- Less than 25 years of membership service: 1.785% of HAC per year of service credit;
- 25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;
- 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
- 30 years or more of membership service: 2% of HAC per year of service credit.

*Guaranteed Annual Benefit Adjustment (GABA)**

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

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007
- Members hired on or after July 1, 2013
 - A maximum of 1.5% each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization for PERS is 40 years or more.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5. RETIREMENT PLANS (CONTINUED)

Summary of Benefits – PERS (Continued)

Guaranteed Annual Benefit Adjustment (GABA)(Continued)*

Court Decision: The First Judicial District Court, Judge Reynolds presiding, issued a decision March 4, 2015, concluding that Section 5 of HB 454 substantially impairs contract rights and is in violation of the contract clause of both the Montana and the United States Constitutions. A permanent injunction prohibiting the State from reducing GABA paid to PERS retirees was issued. Following cross-appeals to the Montana Supreme Court, the parties agreed to seek clarification from Judge Reynolds regarding the scope of his original order. Judge Reynolds issued an order August 19, 2015, clarifying that the permanent injunction is only applicable to public employees that were hired prior to July 1, 2013, the effective date of HB 454. The permanent injunction does not apply to public employees hired on or after July 1, 2013.

Total number of members (employees) covered by benefit terms as of June 30, 2015:

1. Active plan members: 28,237
2. Inactive members entitled to but not yet receiving benefits or a refund:
 - Vested: 2,925
 - Non-vested: 8,839
3. Inactive members and beneficiaries currently receiving benefits:
 - Service Retirements: 20,080
 - Disability Retirements: 176
 - Survivor Benefits: 425

Overview of Contributions

Member and employer contribution rates are established by state law and may be amended only by the legislature.

FURS:

Member contributions to the system:

- a. For members hired prior to July 1, 1997 and not electing GABA, member contributions as a percentage of salary are 9.5%, and
- b. For members hired on or after July 1, 1997 and members electing GABA, member contributions as a percentage of salary are 10.7%.

Employer contributions to the system:

- a. The employers are required to contribute 14.36% of member's compensation.
- b. The State contributes 32.61% of member's compensation from the general fund.
- c. Effective July 1, 2013, employer and state contributions are required to be paid on working retiree compensation. Member contributions are not required for working retirees.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5. RETIREMENT PLANS (CONTINUED)

Overview of Contributions

Following the 2013 Legislative Session, PERS-employer contributions were temporarily increased. Effective July 1, 2013, employer contributions increased 1.0%. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The employer additional contributions including the 0.27% added in 2007 and 2009, terminates on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years following the reductions of both the additional employer and member contribution rates.

PERS:

Member contributions to the system:

- a. Plan members are required to contribute 7.90% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.
- b. The 7.90% member contributions is temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.

Employer contributions to the system:

- a. State and University System employers are required to contribute 8.27% of members' compensation.
- b. Local government entities are required to contribute 8.17% of members' compensation.
- c. School district employers contributed 7.90% of members' compensation.
- d. Following the 2013 Legislative Session, PERS-employer contributions were temporarily increased. Effective July 1, 2013, employer contributions increased 1.0%. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The employer additional contributions including the 0.27% added in 2007 and 2009, terminates on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates.
- e. Effective July 1, 2013, the additional employer contributions for DCRP and MUS-RP is allocated to the defined benefit plan's Plan Choice Rate unfunded liability.
- f. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

Non Employer Contributions

- a. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
- b. Not Special Funding
 - i. The State contributes from the Coal Tax Severance fund.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5. RETIREMENT PLANS (CONTINUED)

Stand-Alone Statements

The FURS and PERS financial information is reported in the Public Employees' Retirement Board's *Comprehensive Annual Financial Report (CAFR)*. It is available from the PERB at 100 North Park, PO Box 200131, Helena MT 59620-0131, 406-444-3154.

CAFR information including our stand alone financial statements can be found on our web site at <http://mpera.mt.gov/annualReports.shtml>.

The latest actuarial valuation and experience study can be found at our website at <http://mpera.mt.gov/actuarialValuations.asp>.

Actuarial Assumptions

The Total Pension Liability as of June 30, 2014, is based on the results of an actuarial valuation date of June 30, 2014. There were several significant assumptions and other inputs used to measure the Total Pension Liability. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of the last actuarial experience study, dated May 2010 for the six year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

FURS

- General Wage Growth* 4.00%
- *includes Inflation at 3.00%
- Merit Increases 0% to 7.3%
- Investment Return 7.75%
- Postretirement Benefit Increases
 - If electing GABA or hired on or after July 1, 1997 3.00%
 - After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, **inclusive** of other adjustments to the member's benefit.
 - Minimum Benefit Adjustment 50% of a newly confirmed officer
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5. RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions (Continued)

PERS

- General Wage Growth* 4.00%
- *includes Inflation at 3.00%
- Merit Increases 0% to 6%
- Investment Return 7.75%
- Postretirement Benefit Increases
 - 3% for members hired **prior to** July 1, 2007
 - 1.5% for members hired **on or after** July 1, 2007After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, **inclusive** of other adjustments to the member's benefit.
*At this time as a result of permanent injunction issued in the *AMRPE vs. State* litigation, the GABA rate in effect is being used in the calculation. Clarification of the GABA rate for members hired on or after July 1, 2013 is pending.
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated.

- FURS: The State contributes 32.61% of salaries pensionable payroll paid by employers.
- PERS: The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly.

Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. No municipal bond rate was incorporated in the discount rate.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5. RETIREMENT PLANS (CONTINUED)

Target Allocations

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.80%
Foreign Equity	18.00%	6.05%
Fixed Income	24.00%	1.68%
Private Equity	12.00%	8.50%
Real Estate	8.00%	4.50%

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated May 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2014, is summarized in the table above.

Sensitivity Analysis

	1.0% Decrease -6.75%	Current Discount Rate	1.0% Increase -8.75%
<u>FURS</u>			
Net Pension Liability	\$ 156,823,891	\$ 97,616,579	\$ 42,290,705
Employer's proportion of Net Pension Liability	\$ 837,651	\$ 521,404	\$ 263,279
<u>PERS</u>			
Net Pension Liability	\$ 1,982,274,732	\$ 1,246,010,898	\$ 625,044,646
Employer's proportion of Net Pension Liability	\$ 75,333	\$ 47,352	\$ 23,754

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5. RETIREMENT PLANS (CONTINUED)

Sensitivity Analysis (Continued)

In accordance with GASB 68 regarding the disclosure of the sensitivity of the Net Pension Liability to changes in the discount rate, the above table presents the Net Pension Liability calculated using the discount rate of 7.75%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

Summary of Significant Accounting Policies

The Montana Public Employee Retirement Administration (MPERA) prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the Net Pension Liability, deferred inflows of resources and deferred outflows of resources related to pensions, Pension Expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA. For this purpose, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

Net Pension Liability

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Public Employees' Retirement System (PERS) and FURS. Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective Net Pension Liability, Pension Expense, Deferred Inflows and Deferred Outflows of resources associated with pensions.

In accordance with Statement 68, PERS and FURS have a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS and FURS on behalf of the employers. Due to the existence of this special funding situation, local governments and school districts are required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer.

The State of Montana also has a funding situation that is not Special Funding whereby the State General Fund provides contributions from the Coal Severance Tax and interest to PERS. All employers are required to report the portion of Coal Tax Severance Tax and interest attributable to the employer.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5. RETIREMENT PLANS (CONTINUED)

Net Pension Liability (Continued)

	<u>Net Pension Liability as of 6/30/2013</u>	<u>Net Pension Liability as of 6/30/2014</u>	<u>Percent of Collective NPL</u>
<u>FURS</u>			
Employer Proportionate Share	\$ 667,366	\$ 521,404	0.534135%
State of Montana Proportionate Share associated with Employer	<u>1,505,545</u>	<u>1,176,262</u>	<u>0.692870%</u>
Total	<u>\$ 2,172,911</u>	<u>\$ 1,697,666</u>	<u>1.227005%</u>
<u>PERS</u>			
Employer Proportionate Share	\$ 60,935	\$ 47,352	0.003800%
State of Montana Proportionate Share associated with Employer	<u>744</u>	<u>578</u>	<u>0.004827%</u>
Total	<u>\$ 61,679</u>	<u>\$ 47,930</u>	<u>0.008627%</u>

At June 30, 2015, the employer recorded a liability of \$521,404 and \$47,352 for FURS and PERS, respectively, for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of July 1, 2014. The employer's proportion of the Net Pension Liability was based on the employer's contributions received by FURS and PERS during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of FURS' and PERS participating employers. At June 30, 2014, the employer's proportion was 0.534135 percent and 0.003800 percent for FURS and PERS, respectively.

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the Total Pension Liability.

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

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

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5. RETIREMENT PLANS (CONTINUED)

Pension Expense

	<u>Pension Expense as of 6/30/14</u>
<u>FURS</u>	
Employer Proportionate Share	\$ 57,882
State of Montana Proportionate Share associated with Employer	<u>130,578</u>
Total	<u>\$ 188,460</u>
<u>PERS</u>	
Employer Proportionate Share	\$ 2,269
State of Montana Proportionate Share associated with Employer	<u>1,339</u>
Total	<u>\$ 3,608</u>

At June 30, 2015, the employer recognized a Pension Expense of \$188,460 and \$3,608 for its proportionate share of the FURS' and PERS' Pension Expense, respectively. The employer also recognized grant revenue of \$130,578 and \$1,339 for the support provided by the State of Montana for its proportionate share of the Pension Expense that is associated with the employer for FURS' and PERS', respectively.

Recognition of Beginning Deferred Outflow – GASB 71

At June 30, 2015, the employer recognized a beginning deferred outflow of resources for the employers FY 2014 contributions of \$100,281 and \$3,504 for FURS and PERS, respectively.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5. RETIREMENT PLANS (CONTINUED)

Deferred Inflows and Outflows

At June 30, 2015, the employer reported its proportionate share of FURS' and PERS' deferred outflows of resources and deferred inflows of resources related to FURS and PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>FURS</u>		
Differences between actual and expected experience	\$ -	\$ -
Changes in assumptions	-	-
Difference between projected and actual earnings on pension plan investments	-	103,563
Changes in proportion differences between employer contributions and proportionate share of contributions	-	-
Difference between actual and expected contributions	-	-
#Contributions paid subsequent to the measurement date - FY 2015 Contributions	<u>111,628</u>	<u>-</u>
Total	<u>\$ 111,628</u>	<u>\$ 103,563</u>
<u>PERS</u>		
Differences between actual and expected experience	\$ -	\$ -
Changes in assumptions	-	-
Difference between projected and actual earnings on pension plan investments	-	12,235
Changes in proportion differences between employer contributions and proportionate share of contributions	-	130
Difference between actual and expected contributions	-	-
#Contributions paid subsequent to the measurement date - FY 2015 Contributions	<u>4,277</u>	<u>-</u>
Total	<u>\$ 4,277</u>	<u>\$ 12,365</u>

#Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016.

CENTRAL VALLEY FIRE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 5. RETIREMENT PLANS (CONTINUED)

Deferred Inflows and Outflows (Continued)

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in Pension Expense as follows:

Year ended June 30:	FURS		FURS
	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2016	\$ -	\$ 25,891	\$ (25,891)
2017	-	25,891	(25,891)
2018	-	25,891	(25,891)
2019	-	-	-
2020	-	-	-
Thereafter	-	-	-

Year ended June 30:	PERS		PERS
	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2016	\$ -	\$ 3,102	\$ (3,102)
2017	-	3,102	(3,102)
2018	-	3,059	(3,059)
2019	-	-	-
2020	-	-	-
Thereafter	-	-	-

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 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:

The agreement is dated June 16, 2014 and covered the one-year period to June 30, 2015, and may continue on a yearly basis thereafter, subject to the right of either party to terminate the agreement. 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, payable on a quarterly basis. Such payments during the year were \$106,205 per quarter for each of the four quarters. In addition, the City agrees to provide an additional ten (10) mills for ancillary costs associated with the fire department operations and to pay workers compensation premiums for the District's firefighters, employees, and volunteers. Such payments during the year were \$11,482 per quarter for each of the four quarters. The City paid workers' compensation premiums for the District in the amount of \$33,375. These payments are presented in the statement of activities as intergovernmental revenues.

This agreement was renewed with similar terms for the period July 1, 2015 to June 30, 2016.

NOTE 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, 2015:

Year ending June 30:	
2016	\$ 13,017
2017	13,408
2018	<u>3,377</u>
Total	<u>\$ 29,802</u>

Lease expense totaled \$15,543 for the year ended June 30, 2015.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 8. RISK MANAGEMENT

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

NOTE 9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 8, 2016, the date on which the financial statements were available to be issued.

The District is currently in negotiations with a union organization on a collective bargaining agreement for its members who are employed at the District.

NOTE 10. PRIOR PERIOD ADJUSTMENT

In the year ended June 30, 2015, the Department adopted the following standards issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" (GASB 68).

GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68" (GASB 71).

The primary objective of these GASB Statements is to improve accounting and financial reporting by state and local governments for pensions. They also improve information provided by other entities.

The Department participates in the Montana Retirement System that is administered by the State of Montana. The implementation of GASB 68 and GASB 71 resulted in the restatement of the beginning net position of the Department. The unfunded pension obligation and related deferred inflows and outflows as of June 30, 2014 were restated as an expense of prior periods.

The prior period adjustment resulted in the restatement of net position as of June 30, 2014 as follows:

Net position at June 30, 2014	\$4,713,391
Change in accounting principle for pensions	<u>(624,533)</u>
Net position at June 30, 2014, restated	<u>\$4,088,858</u>

REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL VALLEY FIRE DISTRICT
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 YEAR ENDED JUNE 30, 2015

Year ended June 30:	Employer's proportion of the net pension liability	Employer's proportionate share of the net pension liability associated with the Employer	State of Montana's proportionate share of the net pension liability associated with the Employer	Total	Employer's covered- employee payroll	Employer's proportionate share of the net pension liability as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability
<u>FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM</u>							
2015	0.534135%	\$ 521,404	\$ 1,176,262	\$ 1,697,666	\$ 857,211	60.826%	76.700%
<u>PUBLIC EMPLOYEES RETIREMENT SYSTEM</u>							
2015	0.003800%	\$ 47,352	\$ 578	\$ 47,930	\$ 65,286	72.53%	79.90%

CENTRAL VALLEY FIRE DISTRICT
 SCHEDULE OF CONTRIBUTIONS
 YEAR ENDED JUNE 30, 2015

Year ended June 30:	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Employer's covered- employee payroll	Contributions as a percentage of covered-employee payroll
<u>FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM</u>					
2015	\$ 111,628	\$ 111,628	\$ -	\$ 857,211	13.0222%
<u>PUBLIC EMPLOYEES RETIREMENT SYSTEM</u>					
2015	\$ 4,277	\$ 4,277	\$ -	\$ 65,286	6.5512%

CENTRAL VALLEY FIRE DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Real estate and property taxes	\$ 2,436,789	\$ 2,436,789	\$ 2,495,860	\$ 59,071
Other	810,018	810,018	802,023	(7,995)
Re-appropriated cash for reserves	<u>3,763,672</u>	<u>3,763,672</u>	<u>2,773,248</u>	<u>(990,424)</u>
Total revenues	<u>7,010,479</u>	<u>7,010,479</u>	<u>6,071,131</u>	<u>(939,348)</u>
Expenditures:				
Current:				
Public safety:				
Personal services	1,700,590	1,700,590	1,402,289	(298,301)
Operations	1,007,271	1,007,271	753,197	(254,074)
Debt service	252,484	252,484	252,484	-
Capital outlay	-	-	287,766	287,766
Capital and operating reserves	<u>4,050,134</u>	<u>4,050,134</u>	<u>2,773,248</u>	<u>(1,276,886)</u>
Total expenditures	<u>7,010,479</u>	<u>7,010,479</u>	<u>5,468,984</u>	<u>(1,541,495)</u>
Net change in fund balance	-	-	602,147	602,147
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>3,825,804</u>	
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,427,951</u>	
Reconciliation:				
Total revenues per statement of revenues, expenditures, and changes in fund balances			\$ 3,584,753	
Plus re-appropriated reserves			2,773,248	
Less on-behalf payment			<u>(286,870)</u>	
Total revenues, budgetary basis			<u>\$ 6,071,131</u>	
Total expenditures per statement of revenues, expenditures, and changes in fund balances			\$ 2,982,606	
Plus deposits to cash reserves			2,773,248	
Less on-behalf payment			<u>(286,870)</u>	
Total expenditures, budgetary basis			<u>\$ 5,468,984</u>	

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015

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 except for noncash on-behalf payments, which are not included in the District's budget. The budget also includes revenue and expenditures for amounts appropriated for cash reserves. These amounts are not a revenue or expenditure in 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 as of and for the year ended June 30, 2015, 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 March 8, 2016.

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.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Holmes & Turner

March 8, 2016

CENTRAL VALLEY FIRE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2015

None.

CENTRAL VALLEY FIRE DISTRICT
CURRENT STATUS OF PRIOR YEAR RECOMMENDATIONS
YEAR ENDED JUNE 30, 2015

INTERNAL CONTROL

IMPLEMENTED

14-01 Segregation of Duties

Implemented