

CENTRAL VALLEY FIRE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and the major fund of Central Valley Fire District (District) as of and for the year ended June 30, 2018, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Central Valley Fire District as of June 30, 2018, 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 on pages 3 - 7 and required supplementary information as listed in the table of contents on pages 32 - 39, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 11, 2018 on my consideration of Central Valley Fire District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

Rosie Barndt, CPA, PC

December 11, 2018

CENTRAL VALLEY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

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, 2018. Please review this report along with the District's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- Opened Station 2 with career staffing to provide 24/7/365 service to the east side of the District.
- Became primary EMS transport service, generate an estimate of \$350,000 per year in revenue.
- Hired and trained seven career firefighters.
- Paid off apparatus loan, placing District in a debt free position.
- Annexed 130 properties within district boundary that were not recorded as in the District.
- Secured land for, and design of, Fire Station 1 to replace current Station 1.
- Received title for Station 7 land.
- Ordered replacement Ambulance for delivery in FY 2019.

USING THIS ANNUAL REPORT

The statement of net assets and the statement of activities

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

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

Fund financial statements

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

CENTRAL VALLEY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

Table 1 provides a summary of the District's net position at June 30, 2018 and 2017.

(Table 1)
Net Position

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Current assets	\$ 4,642,807	\$ 5,281,465
Capital assets, net	4,227,502	2,784,344
Deferred outflows of resources - pension	<u>421,712</u>	<u>311,035</u>
 Total assets	 <u>9,292,021</u>	 <u>8,376,844</u>
 Current liabilities	 596,588	 207,502
Long-term liabilities, due in one year	-	360,906
Long-term liabilities, due after one year	<u>1,015,858</u>	<u>915,301</u>
 Total liabilities	 <u>1,612,446</u>	 <u>1,483,709</u>
 Deferred inflows of resources		
Pension plans	<u>15,122</u>	<u>20,942</u>
Total deferred inflows of resources	<u>15,122</u>	<u>20,942</u>
 Net position:		
Net investment in capital assets	4,227,502	2,423,438
Unrestricted net position	3,242,042	4,290,969
Restricted for capital purchases	<u>194,909</u>	<u>157,786</u>
 Total net position	 <u>\$ 7,664,453</u>	 <u>\$ 6,872,193</u>

CENTRAL VALLEY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

The following table presents the changes in the District's net assets for the fiscal years ending June 30, 2018 and 2017:

(Table 2)
Changes in Net Position

	<u>2018</u>	<u>2017</u>
General revenues:		
Taxes	\$ 2,846,074	\$ 2,585,809
Intergovernmental revenues	1,297,989	860,684
Investment earnings	61,863	52,797
Miscellaneous	<u>5,236</u>	<u>12,061</u>
Total general revenues	<u>4,211,162</u>	<u>3,511,351</u>
Program revenues - fees for service	<u>374,601</u>	<u>63,115</u>
Total program revenue	<u>374,601</u>	<u>63,115</u>
 Total revenue	 <u>\$ 4,585,763</u>	 <u>\$ 3,574,466</u>
Expenses:		
Public safety	\$ 3,793,503	\$ 2,813,754
Interest on long-term debt	<u>-</u>	<u>13,659</u>
Total expenses	3,793,503	2,827,413
Less program revenues	<u>(374,601)</u>	<u>(63,115)</u>
Net expenses	3,418,902	2,764,298
 General revenues	 <u>4,211,162</u>	 <u>3,511,351</u>
 Change in net position	 792,260	 747,053
 Net position - beginning	 6,872,193	 6,088,377
 Prior period adjustment	 <u>-</u>	 <u>36,763</u>
 Net position - ending	 <u>\$ 7,664,453</u>	 <u>\$ 6,872,193</u>

CENTRAL VALLEY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION

In 2018, the District taxpayers approved a 15 year non-dollar capped 14 mill levy to fund capital improvement projects and apparatus. This levy replaced the prior mill levy that was dollar capped and limited to apparatus and equipment. It will be the revenue source to make loan payments for Station 1, build Station 6, and replace apparatus for the next 15 years. The District maintains an Operational Reserve of ½ the annual operations and personnel budget. The majority of the three million dollars in CIP reserves will be used in FY 2019 to pay for Station 1 construction.

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 and the Bozeman Yellowstone Airport through Interlocal Agreements with the City of Belgrade and the Gallatin Airport Authority. The District was reclassified by Insurance Services Office as having a Public Protection Class rating of 3. This rating resulted in a significant decrease in insurance costs for a large number of properties in the District.

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.

THE FUTURE OF THE DISTRICT

The District is on track with its three-year work plan with the opening of Station 2, EMS transport, and the relocation of Station 1 into a new facility in June of 2019. The District was awarded a \$907,000 three year FEMA grant to hire 6 additional firefighters. The addition of these firefighters will allow career staffing to be placed at Station 3 in Four Corners. Securing land for a future Station 6 in the area south of River Rock will be the next growth related objective. Funding to build Station 6 is anticipated to be available within five years, however funding to hire career firefighters for the station may not be. A 10 mill levy for career staffing that expires in 2021 will need to be evaluated and approved by voters.

The City of Belgrade is rapidly approaching the population benchmark that would require its own fire department. Having to do so would be a near impossible economic hurdle for the City, as well as have detrimental effect on the District. Efforts to change state law so that cities can annex into districts are in process. It is anticipated that if the proposed legislation is passed in the 2018/2019 session, City of Belgrade residents will be asked to annex into Central Valley Fire District in May of 2019.

CENTRAL VALLEY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

The annual 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 and the funding of both a facilities and apparatus capital improvement reserve funds. The following summary identifies goals that have been accomplished and forecasts those yet needing to be done if growth continues.

- FY 17 - Built \$400K Fire Station 7; hired 3 firefighters; saved \$100,000 for FY18 operational reserve increase.
- FY 17 - Began infrastructure development of Fire Station 1 replacement by securing land and an architectural firm to design the facility.
- FY 18 - Begin EMS transport program; order replacement ambulance for delivery in FY19, staff Station 2.
- Passed 14 mill levy the spring of 2018 for Station 1 construction and future CIP.
- FY's 18/19 - Build and move into new Station 1, sell training center.
- FY19- Staff Station 3 with SAFER grant funded firefighters
- FY 19 – Locate land for Station 6.
- FY 20 - Replace Engine 5-5.
- FY 22 - Build Station 6 south of Belgrade/River Rock
- Future – Provide for career staffing at Station 3, Station 6, and possible intergovernmental building and staffing of Station 8 in the area of Baxter and Love Rd.

BUDGET ANALYSIS

The focus of the Fiscal Year 2018 budget was to provide value based emergency services to the citizens and start to invest CIP reserves towards the growth needs of the district. The design of Station 1 was accomplished using reserves. Financing of Station 1 was arranged with a 15 year loan from Stockman Bank.

The District came in slightly under budget. Unspent FY18 revenue was carried forward to bolster the FY 19 Operational Reserve Fund.

All projections relating to EMS transport were met or exceeded.

A FEMA SAFER grant for 6 firefighters was applied for in FY18 and awarded for use in FY19.

While the District is still in a phase of catching up to where it should be to effectively serve a population of this size, it is making good headway.

CENTRAL VALLEY FIRE DISTRICT
GOVERNMENTAL FUND BALANCE SHEET AND
STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>General Fund</u>	<u>Adjustments</u>		<u>Statement of Net Position</u>
Assets and deferred outflows of resources				
Cash and investments - unrestricted	\$ 4,267,205	\$ -		\$ 4,267,205
Cash - restricted	194,909	-		194,909
Ambulance receivable	99,044	-		99,044
Property taxes receivable	72,440	-		72,440
Contracts receivable	7,203	-		7,203
Other receivables	2,006	-		2,006
Capital assets, nondepreciable	-	530,227	a	530,227
Capital assets, depreciable, net	<u>-</u>	<u>3,697,275</u>	a	<u>3,697,275</u>
Total assets	<u>4,642,807</u>	<u>4,227,502</u>		<u>8,870,309</u>
Deferred outflows of resources - pension	<u>-</u>	<u>421,712</u>	b	<u>421,712</u>
Total assets and deferred outflows of resources	<u>\$ 4,642,807</u>	<u>\$ 4,649,214</u>		<u>\$ 9,292,021</u>
Liabilities, deferred inflows of resources, and fund balance/net position				
Accounts payable	\$ 447,069	\$ -		\$ 447,069
Retainage payable	42,849	-		42,849
Accrued liabilities	106,670	-		106,670
Long-term liabilities, due after one year	<u>-</u>	<u>1,015,858</u>	c	<u>1,015,858</u>
Total liabilities	<u>596,588</u>	<u>1,015,858</u>		<u>1,612,446</u>
Deferred inflows of resources				
Unavailable revenue - property taxes	34,125	(34,125)	d	-
Pension plan	<u>-</u>	<u>15,122</u>	b	<u>15,122</u>
Total deferred inflows of resources	<u>34,125</u>	<u>(19,003)</u>		<u>15,122</u>
Fund balance/net position				
Net investment in capital assets	-	4,227,502	e	4,227,502
Restricted	194,909	-		194,909
Committed	1,097,074	(1,097,074)	e	-
Unassigned/unrestricted	<u>2,720,111</u>	<u>521,931</u>	e	<u>3,242,042</u>
Total fund balance/net position	<u>4,012,094</u>	<u>3,652,359</u>		<u>7,664,453</u>
Total liabilities, deferred inflows of resources and fund balance/net position	<u>\$ 4,642,807</u>	<u>\$ 4,649,214</u>		<u>\$ 9,292,021</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.

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, 2018

	<u>General Fund</u>	<u>Adjustments</u>		<u>Statement of Net Position</u>
Expenses:				
Public safety - fire protection				
Personal services	\$ 2,663,286	\$ 125,350	a,e	\$ 2,788,636
Supplies	430,111	-		430,111
Purchased services	482,445	-		482,445
Fixed charges	30,144	-		30,144
Depreciation	-	62,167	b	62,167
Debt service - principal	360,906	(360,906)	c	-
Debt service - interest	14,483	(14,483)	c	-
Capital outlay	<u>1,509,070</u>	<u>(1,509,070)</u>	b	-
Total expenses	<u>5,490,445</u>	<u>(1,696,942)</u>		<u>3,793,503</u>
Program revenues:				
Charges for services	<u>374,601</u>	<u>-</u>		<u>374,601</u>
Net expense				<u>(3,418,902)</u>
General revenues:				
Taxes	2,840,570	5,504	d	2,846,074
Intergovernmental revenues	1,156,700	141,289	e	1,297,989
Miscellaneous	8,981	(3,745)	f	5,236
Investment earnings	<u>61,863</u>	<u>-</u>		<u>61,863</u>
Total revenues/total general revenue	<u>4,442,715</u>	<u>143,048</u>		<u>4,211,162</u>
Changes in fund balance/net position	(1,047,730)	1,839,990		792,260
Fund balance/net position - beginning	<u>5,059,824</u>	<u>1,812,369</u>		<u>6,872,193</u>
Fund balance/net position - ending	<u>\$ 4,012,094</u>	<u>\$ 3,652,359</u>		<u>\$ 7,664,453</u>

^a Accrued compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

^b 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.

^c Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Accrued interest on the bonds payable is reported in the statement of activities, but is not reported as an expenditure in the governmental funds.

^d Taxes receivables which are not expected to be received within 60 days of year-end, 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 as expenditures and the related on-behalf payments by the State of Montana as revenue and expenditures. In the statement of activities, the actuarially calculated cost of the pension benefits is reported as pension expense and the related on-behalf payment as revenue and pension expense.

^f Any proceeds from the disposal of a capital asset are recognized in the governmental fund; these proceeds are reduced by accumulated depreciation and the gain or loss on the disposal of the asset is recognized in the statement of activities.

See accompanying notes to the financial statements.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Basis of Presentation - Government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the activities of the District. Governmental activities, which are supported by taxes, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. For the year ended June 30, 2018, the District did not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and include operating grants. For the year ended June 30, 2018, the District received program revenue from ambulance and fire protection services provided. Taxes and other items are reported as general revenues.

Basis of Presentation - Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. On an accrual basis, revenues from property taxes and benefit assessments are recognized in the year for which the taxes and assessments are levied and revenue from investments is recognized when earned. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. 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.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

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

Cash and Investments

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

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

The certificates of deposit held by the District do not qualify as investments as defined by GASB No. 40; also, these are not required to be held at fair value in accordance with GASB No. 72, *Fair Value Measurement and Application*.

Ambulance Receivable

The District charges for the ambulance services which it provides. Most of the invoices are submitted to insurance companies and are subject to billing adjustments. Based on the District's estimate, the receivable and related revenue have been reduced by \$70,000 as an allowance for uncollectibles.

Taxes Receivable

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

Real property taxes and special assessments are generally billed in October and are payable one half by November 30 and one half by May 31. After these dates, taxes and assessments become delinquent and become a lien on the property. Personal property is assessed and personal property taxes are billed throughout the year, with a significant portion generally billed in May, June, and July. Personal property taxes are based on levies set during the prior August. These taxes become delinquent 30 days after billing.

Taxes and assessments that become delinquent are charged interest at the rate of 5/6 of 1% per month from the time of delinquency until paid plus a penalty of 2%. Real property on which taxes and assessments remain delinquent and unpaid may be sold at tax sales. In the case of personal property, the property is seized and sold after the taxes become delinquent.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

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

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

Compensated Absences

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

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

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

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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, 2018, the County held \$194,909 in the impact fee fund. This amount is shown as restricted cash and restricted fund balance/net position.

Fund Balance

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

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

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

The committed fund balance category includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, the Board of Trustees. The Board needs to formally adopt a Resolution in order to establish, modify, or rescind a fund balance commitment. As of June 30, 2018, the District had a committed fund balance of \$1,041,939 for capital reserve and \$55,135 for an employee benefit plan.

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

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

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (continued)

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

Net Position

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

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

NOTE 2. CASH AND INVESTMENTS

The composition of cash and investments held by the District as of June 30, 2018, is as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Petty cash	\$ 1,205	\$ -	\$ 1,205
Certificates of deposit held by Gallatin County	750,000	-	750,000
Gallatin County External Investment Pool	<u>3,516,000</u>	<u>194,909</u>	<u>3,710,909</u>
Total	<u>\$ 4,267,205</u>	<u>\$ 194,909</u>	<u>\$ 4,462,114</u>

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

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

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3. CAPITAL ASSETS

Capital asset activity for fiscal year ended June 30, 2018 was as follows:

<u>Governmental activities:</u>	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Capital assets, not being depreciated:				
Land	\$ 533,972	\$ -	\$ (3,745)	\$ 530,227
Capital assets, being depreciated:				
Buildings and improvements	2,953,395	1,420,059	-	4,373,454
Equipment	755,743	89,011	-	844,754
Furniture	3,475	-	-	3,475
Vehicles	<u>3,853,693</u>	<u>-</u>	<u>-</u>	<u>3,853,693</u>
Total	7,566,306	1,509,070	-	9,075,376
Less: accumulated depreciation	<u>(5,315,934)</u>	<u>(62,167)</u>	<u>-</u>	<u>(5,378,101)</u>
Capital assets, being depreciated, net	<u>2,250,372</u>	<u>1,446,903</u>	<u>-</u>	<u>3,697,275</u>
Governmental activities capital assets, net	<u>\$ 2,784,344</u>	<u>\$ 1,446,903</u>	<u>\$ (3,745)</u>	<u>\$ 4,227,502</u>

NOTE 4. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2018 was as follows:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Loan payable - vehicles	\$ 360,906	\$ -	\$ (360,906)	\$ -	\$ -
Compensated absences	149,343	30,272	-	179,615	-
Net pension liability	<u>765,958</u>	<u>70,285</u>	<u>-</u>	<u>836,243</u>	<u>-</u>
Total	<u>\$ 1,276,207</u>	<u>\$ 100,557</u>	<u>\$ (360,906)</u>	<u>\$ 1,015,858</u>	<u>\$ -</u>

NOTE 5. RETIREMENT PLANS

Plan Description – Firefighter’ Unified Retirement System (FURS)

The Firefighters’ Unified Retirement System (FURS), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing defined benefit plan established in 1981, and governed by Title 19, chapters 2 & 13, MCA. This plan provides retirement benefits to firefighters employed by first- and second-class cities, other cities and rural fire 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.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5. RETIREMENT PLANS (CONTINUED)

Plan Description –Public Employee Retirement System (PERS)

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

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

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.

The following information uses the June 30, 2017 and 2016 measurement dates for the June 30, 2018 and 2017 reporting dates, respectively. All dates noted on the following pages are reporting dates, unless otherwise specified.

Summary of Benefits – FURS

Eligibility for benefit and benefit formulas

Service retirement:

- Hired on or after July 1, 1981, or has elected to be covered by GABA:
 - 20 years of membership service
 - 2.5% of HAC x years of service credit
- Hired prior to July 1, 1981, and who had not elected to be covered by GABA, the greater of above, or:
 - If membership service is less than 20 years:
 - 2% of the highest monthly compensation (HMC) x years of service credit and
 - If membership services is greater or equal to 20 years:
 - 50% of HMC + 2% of HMC x years of service credit in excess of 20

Early retirement:

- Age 50 with 5 years of membership service

Vesting

5 years of membership service.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5. RETIREMENT PLANS (CONTINUED)

Summary of Benefits – FURS (continued)

Member's compensation period used in benefit calculation

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

Compensation Cap

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

Guaranteed Annual Benefit Adjustment (GABA)

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

Minimum Benefit Adjustment (non-GABA)

If hired before July 1, 1997 and member did not elect GABA – the minimum benefit adjustment is provided equal to 50% of the current base compensation of a newly confirmed active firefighter of the employer that last employed the member as a firefighter.

Summary of Benefits – PERS

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.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5. RETIREMENT PLANS (CONTINUED)

Summary of Benefits – PERS (continued)

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

- 1) Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:
 - a. A refund of member's contributions plus regular interest (currently 0.77% effective July 1, 2017);
 - b. No service credit for second employment;
 - c. Start the same benefit amount the month following termination; and
 - d. GABA starts again the January immediately following second retirement.
- 2) Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:
 - a. A recalculated retirement benefit based on provisions in effect after the initial retirement; and
 - b. GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.
- 3) Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:
 - a. The same retirement as prior to the return to service;
 - b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
 - c. GABA starts on both benefits in January after receiving the original and new benefit for 12 months.

Vesting

5 years of membership service.

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.

Compensation Cap

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

Monthly benefit formula

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

CENTRAL VALLEY FIRE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 5. RETIREMENT PLANS (CONTINUED)

Summary of Benefits – PERS (continued)

Guaranteed Annual Benefit Adjustment (GABA)

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

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

Overview of Contributions

Member and employer contribution rates are specified by state law and are a percentage of the member’s compensation. Contributions are deducted from each member’s salary and remitted by participating employers. The Montana Legislature has the authority to establish and amend contribution rates to the plan. Member and employer contribution rates are shown in the tables below.

FURS:

Fiscal Year	Member		Employer	State
	Non-GABA	GABA		
1998-2018	9.500%	10.700%	14.360%	32.610%
1997	7.800%		14.360%	32.610%

PERS:

Fiscal year	Member		Local Government	
	Hired before	Hired after	Employer	State
	7/1/2011	7/1/2011		
2018	7.90%	7.90%	8.47%	0.10%
2017	7.90%	7.90%	8.37%	0.10%
2016	7.90%	7.90%	8.27%	0.10%
2015	7.90%	7.90%	8.17%	0.10%
2014	7.90%	7.90%	8.07%	0.10%
2012-2013	6.90%	7.90%	7.07%	0.10%
2010-2011	6.90%		7.07%	0.10%
2008-2009	6.90%		6.94%	0.10%
2000-2007	6.90%		6.80%	0.10%

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5. RETIREMENT PLANS (CONTINUED)

Overview of Contributions

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

Employer contributions to the system:

Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.

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:

Special Funding

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

Not Special Funding

The state contributed a portion of Coal Severance Tax income and earnings from the Coal Severance Tax fund.

Stand-Alone Statements

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

Actuarial Assumptions

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2016 actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2017 (measurement date). There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2017 (measurement date) valuation were based on the results of the last actuarial experience study, dated May 2017, for the six- year period July 1, 2010 to June 30, 2016. Among those assumptions were the following.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5. RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions (continued)

FURS

- Investment Return (net of admin expense) 7.65%
- Admin Expense as % of Payroll 0.23%
- General Wage Growth* 3.50%
*includes Inflation at 2.75%
- Merit Increases 0% to 6.3%
- Postretirement Benefit Increases
 - i. Guaranteed Annual Benefit Adjustment (GABA)**
Hired on or after July 1, 1997, or those electing GABA, and has been retired for at least 12 months, the member's benefit increases by 3.0% each January.
 - ii. Minimum Benefit Adjustment (non-GABA)**
If hired before July 1, 1997 and member did not elect GABA – the minimum benefit adjustment is provided equal to 50% of the current base compensation of a newly confirmed active firefighter of the employer that last employed the member as a firefighter.
- Mortality assumptions among contributing members, service retired members and beneficiaries were based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using Scale BB, males set back one year.
- Mortality assumptions among Disabled Members were based on RP 2000 Combined Mortality Tables.

PERS

- Investment Return (net of admin expense) 7.65%
- Admin Expense as % of Payroll 0.26%
- General Wage Growth* 3.50%
*includes Inflation at 2.75%
- Merit Increases 0% to 6.3%
- Postretirement Benefit Increases
 - i. Guaranteed Annual Benefit Adjustment (GABA)**
After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of all other adjustments to the member's benefit.
 - 3.0% for members hired prior to July 1, 2007
 - 1.5% for members hired between July 1, 2007 and June 30, 2013
 - Members hired on or after July 1, 2013:
 - a. 1.5% for each year PERS is funded at or above 90%;
 - b. 1.5% reduced by 0.1% for each 2.0% PERS is funded below 90%; and
 - c. 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members, service retired members and beneficiaries were based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among disabled members were based on RP 2000 Combined Mortality Tables with no projections.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5. RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions (continued)

Discount Rate

The discount rate used to measure the TPL was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. For FURS, the State contributed 32.61% of salaries paid by employers; for PERS, the State contributed 0.10% of the salaries paid by local governments. In addition, the state contributed coal severance tax and interest money from the general fund. The interest was contributed monthly and the severance tax was contributed quarterly. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2121 and 2124 for PERS and FURS, respectively. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets was reviewed as part of the regular experience study prepared for the Plan. The most recent analysis, performed for the period of July 1, 2010 to June 30, 2016, was outlined in a report dated May 2017 and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions 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 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 by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018, are summarized below.

Asset Class	Target Asset Allocation	Real Rate of Return - Arithmetic Basis	Long-term Expected Real Rate of Return
	(a)	(b)	(a)*(b)
Cash equivalents	2.60%	4.00%	0.10%
Domestic Equity	36.00%	4.55%	1.64%
Foreign Equity	18.00%	6.35%	1.14%
Fixed Income	23.40%	1.00%	0.23%
Private Equity	12.00%	7.75%	0.93%
Real Estate	8.00%	4.00%	0.32%
Total	100.00%		4.37%
Inflation			2.75%
Portfolio-Return-Expectation			7.12%

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5. RETIREMENT PLANS (CONTINUED)

Target Allocations (continued)

The long-term expected nominal rate of return above of 7.12% is an expected portfolio rate of return provided by Board of Investments (BOI), which differs from the total long-term assumed rate of return of 7.65% in the experience study. The assumed investment rate is comprised of a 2.75% inflation rate and a real rate of return of 4.90%.

Sensitivity Analysis

The sensitivity of the NPL to the discount rate is shown in the table below. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.65%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

	1.0% Decrease -6.65%	Current Discount Rate	1.0% Increase - 8.65%
<u>FURS</u>			
Employer's proportion of net pension liability	\$ 1,294,698	\$ 779,118	\$ 362,556
<u>PERS</u>			
Employer's proportion of net pension liability	\$ 83,198	\$ 57,125	\$ 35,239

Summary of Significant Accounting Policies

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

Net Pension Liability

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

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5. RETIREMENT PLANS (CONTINUED)

Net Pension Liability (continued)

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). As GASB Statement 68 allows, a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2017 (measurement date) was determined by taking the results of the June 30, 2016 actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

Special Funding

The Plan has a special funding situation in which the state of Montana is legally responsible for making contributions directly to the Plan on behalf of the employers. Due to the existence of this special funding situation, the state is required to report a proportionate share of a local government's collective NPL that is associated with the non-state employer.

Not Special Funding

The state of Montana, as the non-employer contributing entity, paid to the Plan coal tax contributions that are not accounted for as special funding for all participating employers.

The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2018, and 2017, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for a particular employer to the total state contributions paid. The employer recorded a liability of \$779,118 and \$57,125 and the employer's proportionate share was .6893%% and 0.0029% for FURS and PERS, respectively.

	Net Pension Liability as of 6/30/18	Net Pension Liability as of 6/30/17	Percent of Collective NPL as of 6/30/18	Percent of Collective NPL as of 6/30/17	Change in percent of Collective NPL
<u>FURS</u>					
Employer					
Proportionate Share	\$ 779,118	\$ 718,115	0.6893%	0.6287%	0.0606%
State of Montana					
Proportionate Share associated with Employer	<u>1,769,290</u>	<u>1,627,023</u>	<u>1.5653%</u>	<u>1.4245%</u>	<u>0.1408%</u>
Total	<u>\$ 2,548,408</u>	<u>\$ 2,345,138</u>	<u>2.2546%</u>	<u>2.0532%</u>	<u>0.2014%</u>

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5. RETIREMENT PLANS (CONTINUED)

Net Pension Liability (continued)

	Net Pension Liability as of 6/30/18	Net Pension Liability as of 6/30/17	Percent of Collective NPL as of 6/30/18	Percent of Collective NPL as of 6/30/17	Change in percent of Collective NPL
<u>PERS</u>					
Employer					
Proportionate Share	\$ 57,125	\$ 47,843	0.0029%	0.0028%	0.0001%
State of Montana					
Proportionate Share					
associated with Employer	<u>683</u>	<u>585</u>	<u>0.0035%</u>	<u>0.0036%</u>	<u>-0.0001%</u>
Total	<u>\$ 57,808</u>	<u>\$ 48,428</u>	<u>0.0064%</u>	<u>0.0064%</u>	<u>0.0000%</u>

Changes in actuarial assumptions and methods

Effective July 1, 2017, the following assumption changes were used:

- Lowered the interest rate from 7.75% to 7.65%.
- Lowered the inflation rate from 3.00% to 2.75%.
- Updated non-disabled mortality to the RP-2000 Combined Employee and Annuitant Mortality Table projected to 2020 using scale BB, males set back 1 year.
- Increased rates of withdrawal.
- Lowered the merit component of the total salary increase (PERS only).
- Lowered the wage base component of the total salary increase from 4.00% to 3.50%.
- Decreased the administrative expense load from 0.27% to 0.26% (PERS only).
- Increased the administrative expense load from 0.19% to 0.23% (FURS only).

Effective July 1, 2017, the following method changes were used:

- Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount will vary from year to year based on the prior year's actual administrative expenses.
- To be consistent with the wage base growth change, the payroll growth assumption for amortization as a level percent of pay was reduced from 4.00% to 3.50%.

Changes in benefit terms – PERS

Effective July 1, 2017, the following benefit changes were:

- The interest rate credited to member accounts increased from 0.25% to 0.77%.
- Lump sum payouts in all systems are limited to the member's accumulated contributions rather than the present value of the member's benefit.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5. RETIREMENT PLANS (CONTINUED)

Net Pension Liability (continued)

Changes in benefit terms – FURS

Effective July 1, 2017, the following benefit changes were:

- The interest rate credited to member accounts increased from 0.25% to 0.77%.
- Working Retiree Limitations applies to retirement system members who return on or after July 1, 2017 to covered employment in the system from which they retired.
- Second Retirement Benefit applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired.
- Lump sum payouts in all systems are limited to the member’s accumulated contributions rather than the present value of the member’s benefit.

Changes in proportionate share: Between the measurement date of the collective NPL and the employer’s reporting date there were no changes in proportion that would have an effect on the employer’s proportionate share of the collective NPL.

Pension Expense

	FURS		PERS	
	Pension Expense as of 6/30/18	Pension Expense as of 6/30/17	Pension Expense as of 6/30/18	Pension Expense as of 6/30/17
Employer				
Proportionate Share	\$ 145,636	\$ 111,255	\$ 2,919	\$ (507)
State of Montana				
Proportionate Share associated with Employer	336,019	210,929	36	49
Coal Tax for Employer	-	-	817	838
Total	<u>\$ 481,655</u>	<u>\$ 322,184</u>	<u>\$ 3,772</u>	<u>\$ 380</u>

At June 30, 2018, the employer recognized \$145,636 and \$2,919 for its proportionate share of the FURS’ and PERS’ pension expense, respectively. The employer also recognized grant revenue of \$336,019 and \$36 for the state of Montana proportionate share of the pension expense associated with the employer for FURS’ and PERS’, respectively. Additionally, the employer recognized grant revenue of \$817 from the Coal Severance Tax fund.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5. RETIREMENT PLANS (CONTINUED)

Recognition of Deferred Inflows and Outflows

At June 30, 2018, the employer reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>FURS</u>		
Differences between actual and expected experience	\$ 5,133	\$ 5,892
Changes in assumptions	97,162	-
Difference between projected and actual earnings on pension plan investments	642	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	114,794	-
#Contributions paid subsequent to the measurement date - FY 2018 contributions	191,757	-
Total	\$ 409,488	\$ 5,892
<u>PERS</u>		
Differences between actual and expected experience	\$ 1,407	\$ 83
Changes in assumptions	7,808	-
Difference between projected and actual earnings on pension plan investments	-	384
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	8,763
#Contributions paid subsequent to the measurement date - FY 2017 contributions	3,009	-
Total	\$ 12,224	\$ 9,230

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, 2019.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5. RETIREMENT PLANS (CONTINUED)

Recognition of Deferred Inflows and Outflows (continued)

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

Year ended June 30:	Recognition of deferred outflows and deferred inflows in future years as an increase or (decrease) to pension expense	
	FURS	PERS
	2019	\$ 7,872
2020	\$ 41,282	\$ 4,467
2021	\$ 26,877	\$ 3,474
2022	\$ 555	\$ (1,216)
2023	\$ -	\$ -
Thereafter	\$ 20,459	\$ -

Employer's proportion of FURS and PERS Pension Amounts Combined

	Employer's proportionate share associated with FURS	Employer's proportionate share associated with PERS	Employer's Total Pension
Net pension liability (NPL)	\$ 779,118	\$ 57,125	\$ 836,243
Deferred outflows of resources	\$ 409,488	\$ 12,224	\$ 421,712
Deferred inflows or resources	\$ 5,892	\$ 9,230	\$ 15,122
Pension expense	\$ 145,636	\$ 2,919	\$ 148,555

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5. RETIREMENT PLANS (CONTINUED)

Deferred Compensation Retirement Plan

The District contributed to a 457 Deferred Compensation Plan (DCP) for qualified volunteers that elected to participate in the DCP. The 457 Plan is administered by the ICMA-RC and is authorized by Internal Revenue Code (IRC) Section 457(b).

The DCP allows volunteers to receive contributions up to \$100 per quarter and \$50 per shift and \$25 per training event.

Benefits are dependent upon eligibility and individual account balances. Participants are vested immediately in the contributions made to their accounts. The IRC allows distribution of funds only upon retirement, separation from service with the participating employer, or attainment of age 70 ½.

The District, which contributed approximately \$28,000 to the DCP during the year ended June 30, 2018, does not recognize a net pension liability for the 457 Deferred Compensation Plan.

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 \$109,215 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 \$12,739 per quarter for each of the four quarters. The City paid workers' compensation premiums for the District in the amount of \$55,236. These payments are presented in the statement of activities as intergovernmental revenues.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7. OPERATING LEASE

In February 2018, the District entered into a sixty-month operating lease for a copier at a monthly rental of \$120, expiring January 15, 2022. For the year ended June 30, 2018, lease expense amounted to \$600.

Future minimum lease payments are as follows:

Year ending June 30:	
2019	\$ 1,440
2020	\$ 1,440
2021	\$ 1,440
2022	\$ 840

In the year ended June 30, 2018, the District renewed a lease for the purpose of housing equipment. The lease commenced on May 1, 2018 and will terminate April 30, 2023. There is an option to extend the term of the lease for one (1) additional five-year (5) term with the rate to be determined at that time. Lease payments begin at \$1,200 per month and increase 3% per year.

Future minimum lease payments are as follows:

Year ending June 30:	
2019	\$ 14,472
2020	\$ 14,906
2021	\$ 15,352
2022	\$ 15,812
2023	\$ 13,510

For the year ended June 30, 2018, lease expense amounted to \$13,655.

NOTE 8. COMMITMENTS

The District signed a consulting agreement for professional services related to the design and construction of a new fire station. The consulting agreement is estimated to cost \$55,000 and has a term of 14 months, ending approximately May 2019.

The District signed an agreement for professional engineering services for the structural materials testing and structural special inspections of the new fire station. The consulting agreement is estimated to cost \$60,420 and has a term of 12 months, ending approximately March 2019.

The District signed a contract with the construction manager for the new fire station. The contract sum is not to exceed \$7,261,408 and is expected to be completed by May 2019.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9. RISK MANAGEMENT

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

REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL VALLEY FIRE DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE LAST TEN FISCAL YEARS*
YEAR ENDED JUNE 30, 2018

Year ended June 30:	Employer's proportion of the net pension liability as a percentage	Employer's proportionate share of the net pension liability as an amount	State of Montana's proportionate share of the net pension liability associated with the employer	Total	Employer's covered payroll	Employer's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
<u>FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM</u>							
2018	0.689300%	\$ 779,118	\$ 1,769,290	\$ 2,548,408	\$ 1,032,324	75.47%	77.77%
2017	0.628700%	\$ 718,115	\$ 1,627,023	\$ 2,345,138	\$ 885,391	81.11%	75.48%
2016	0.578400%	\$ 591,619	\$ 1,317,692	\$ 1,909,311	\$ 777,348	76.11%	76.90%
2015	0.534100%	\$ 521,404	\$ 1,176,262	\$ 1,697,666	\$ 693,825	75.15%	76.70%
<u>PUBLIC EMPLOYEES RETIREMENT SYSTEM</u>							
2018	0.002900%	\$ 57,125	\$ 683	\$ 57,808	\$ 36,637	155.92%	73.75%
2017	0.002800%	\$ 47,843	\$ 585	\$ 48,428	\$ 33,644	142.20%	74.71%
2016	0.004500%	\$ 62,708	\$ 770	\$ 63,478	\$ 52,352	119.78%	78.40%
2015	0.003800%	\$ 47,352	\$ 578	\$ 47,930	\$ 43,019	110.07%	79.90%

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

CENTRAL VALLEY FIRE DISTRICT
SCHEDULE OF CONTRIBUTIONS
YEAR ENDED JUNE 30, 2018

Year ended June 30:	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
<u>FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM</u>					
2018	\$ 191,757	\$ 191,757	\$ -	\$ 1,335,352	14.360034%
2017	\$ 147,967	\$ 147,967	\$ -	\$ 1,032,324	14.333388%
2016	\$ 126,587	\$ 126,587	\$ -	\$ 885,391	14.297299%
2015	\$ 113,799	\$ 113,799	\$ -	\$ 777,348	14.639389%
<u>PUBLIC EMPLOYEES RETIREMENT SYSTEM</u>					
2018	\$ 3,009	\$ 3,009	\$ -	\$ 35,113	8.569476%
2017	\$ 3,045	\$ 3,045	\$ -	\$ 36,637	8.311270%
2016	\$ 2,812	\$ 2,812	\$ -	\$ 33,644	8.358102%
2015	\$ 4,314	\$ 4,314	\$ -	\$ 52,352	8.240373%

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

CENTRAL VALLEY FIRE DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Real estate and property taxes	\$ 2,873,549	\$ 2,873,549	\$ 2,840,570	\$ (32,979)
Other	936,315	936,315	1,166,651	230,336
Grants	163,750	163,750	-	(163,750)
Re-appropriated reserves	<u>5,049,619</u>	<u>5,049,619</u>	<u>1,291,983</u>	<u>(3,757,636)</u>
Total revenues	<u>9,023,233</u>	<u>9,023,233</u>	<u>5,299,204</u>	<u>(3,724,029)</u>
Expenditures:				
Current:				
Public Safety:				
Personal services	2,434,023	2,434,023	2,227,792	(206,231)
Operations	995,400	995,400	942,700	(52,700)
Debt service	379,000	379,000	375,389	(3,611)
Capital outlay	-	-	1,509,070	1,509,070
Capital and operating reserves	<u>5,172,475</u>	<u>5,172,475</u>	<u>1,291,983</u>	<u>(3,880,492)</u>
Total expenditures	<u>8,980,898</u>	<u>8,980,898</u>	<u>6,346,934</u>	<u>(2,633,964)</u>
Net change in fund balance	<u>\$ 42,335</u>	<u>\$ 42,335</u>	(1,047,730)	<u>\$ (1,090,065)</u>
Fund balance - beginning			<u>5,059,824</u>	
Fund balance - ending			<u>\$ 4,012,094</u>	
Reconciliation:				
Total revenues per statement of revenues, expenditures, and changes in fund balance			\$ 4,442,715	
Plus re-appropriated reserves			1,291,983	
Less on behalf payment			<u>(435,494)</u>	
Total revenues, budgetary basis			<u>\$ 5,299,204</u>	
Total expenditures per statement of revenues, expenditures, and changes in fund balance			\$ 5,490,445	
Plus deposits to capital and operating reserves			1,291,983	
Less on behalf payment			<u>(435,494)</u>	
Total expenditures, budgetary basis			<u>\$ 6,346,934</u>	

CENTRAL VALLEY FIRE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018

NOTE 1. BUDGET COMPLIANCE

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

NOTE 2. BUDGET BASIS OF ACCOUNTING

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

NOTE 3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

NOTE 4. CHANGES OF BENEFIT TERMS

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

2015 Legislative Changes - PERS:

General Revisions - House Bill 101, effective January 1, 2016

Second Retirement Benefit - for PERS

- 1) Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of service credit before retiring again:
 - Refund of member's contributions from second employment plus regular interest (currently 0.25%);
 - No service credit for second employment;
 - Start same benefit amount the month following termination; and
 - GABA starts again the January immediately following second retirement.
- 1) For members who retire before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:
 - Member receives a recalculated retirement benefit based on laws in effect at second retirement; and,
 - GABA starts the January after receiving recalculated benefit for 12 months.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018

NOTE 4. CHANGES OF BENEFIT TERMS (Continued)

- 2) For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:
 - Refund of member's contributions from second employment plus regular interest (currently 0.25%);
 - No service credit for second employment;
 - Start same benefit amount the month following termination; and,
 - GABA starts again the January immediately following second retirement.
- 3) For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate five or more years of service credit before retiring again:
 - Member receives same retirement benefit as prior to return to service;
 - Member receives second retirement benefit for second period of service based on laws in effect at second retirement; and
 - GABA starts on both benefits in January after member receives original and new benefit for 12 months.

Revise DC Funding Laws - House Bill 107, effective July 1, 2015

Employer Contributions and the Defined Contribution Plan – for PERS and MUS-RP

The PCR was paid off effective March 2016 and the contributions of 2.37%, .47%, and the 1.0% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member's account.

2017 Legislative Changes:

General Revisions – House Bill 101, effective July 1, 2017

Working Retiree Limitation – for PERS

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

Terminating Employers – Recovery of actuary costs – for PERS

Employers who terminate participation in PERS must pay the actuarial liability associated with that termination. Starting July 1, 2017, the terminating employer must also pay for the cost of the actuarial study used to determine that liability.

Refunds

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

CENTRAL VALLEY FIRE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018

NOTE 4. CHANGES OF BENEFIT TERMS (Continued)

Family Law Orders

If a Family Law Order (FLO) is silent regarding the apportionment of post-retirement benefit adjustments such as the Guaranteed Annual Benefit Adjustment (GABA), the FLO is presumed to require apportionment of the post-retirement benefit adjustment in the same percentage as the monthly retirement benefit is apportioned.

Disabled PERS Defined Contribution (DC) Members

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

PERS Statutory Appropriation – House Bill 648, effective July 1, 2017

Revenue from coal severance taxes and interest income from the coal severance tax permanent fund previously statutorily – appropriated to the PERS defined benefit trust fund will be replaced with the following statutory appropriations:

1. FY2018 - \$31.386 million
2. FY2019 - \$31.958 million
3. Beginning July 1, 2019 through at least June 30, 20125, 101% of the contribution from the previous year from the general fund to the PERS defined benefit trust fund, as follows:
 - a. FY2020 - \$32.277 million
 - b. FY2021 - \$32.6 million
 - c. FY2022 - \$32.926 million
 - d. FY2023 - \$33.255 million
 - e. FY2024 - \$33.588 million
 - f. FY2025 - \$33.924 million

2015 Legislative Changes - FURS:

General Revisions – House Bill 101, effective January 1, 2016

If a PERS member transfers employment to a FURS covered position and fails to elect FURS membership within 90 days, the default is PERS membership.

2017 Legislative Changes – FURS:

General Revisions – House Bill 101, effective July 1, 2017

Working Retiree Limitations – for FURS

- 1) Applies to retirement system members who return on or after July 1, 2017 to covered employment in the system from which they retired.
- 2) Members who return for less than 480 hours in a calendar year:
 - a. May not become an active member in the system; and
 - b. Are subject to a \$1 reduction in their retirement benefit for each \$3 earned in excess of \$5,000 in the calendar year.

CENTRAL VALLEY FIRE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018

NOTE 4. CHANGES OF BENEFIT TERMS (Continued)

- 3) Members who return for 480 or more hours in a calendar year:
 - a. Must become an active member of the system;
 - b. Will stop receiving a retirement benefit from the system; and
 - c. Will be eligible for a second retirement benefit if they earn 5 or more years of service credit through their second employment.
- 4) Employee, employer and state contributions, if any, apply as follows:
 - a. Employer contributions and state contributions (if any) must be paid on all working retirees;
 - b. Employee contributions must be paid on working retirees who return to covered employment for 480 or more hours in a calendar year.

Second Retirement Benefit – for FURS

- 1) Applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired.
- 2) If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
 - a. Is not awarded service credit for the period of reemployment;
 - b. Is refunded the accumulated contributions associated with the period of employment;
 - c. Starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
 - d. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.
- 3) If the member works more than 480 hours in a calendar year and accumulates at least 5 year of service credit before terminating again, the member:
 - a. Is awarded service credit for the period of reemployment;
 - b. Starting the first month following termination of service, receives:
 - i. The same retirement benefit previously paid to the member, and
 - ii. A second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
 - c. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
 - i. On the initial retirement benefit in January immediately following second retirement, and
 - ii. On the second retirement benefit starting in January after receiving that benefit for at least 12 months.
- 4) A member who returns to covered service is not eligible for a disability benefit.

Terminating Employers – Recovery of actuary costs – for FURS

Employers who terminate participation in FURS must pay the actuarial liability associated with that termination. Starting July 1, 2017, the terminating employer must also pay for the cost of the actuarial study used to determine that liability.

CENTRAL VALLEY FIRE DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2018

NOTE 4. CHANGES OF BENEFIT TERMS (Continued)

Refunds

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

Family Law Orders

If a Family Law Order (FLO) is silent regarding the apportionment of post-retirement benefit adjustments such as the Guaranteed Annual Benefit Adjustment (GABA), the FLO is presumed to require apportionment of the post-retirement benefit adjustment in the same percentage as the monthly retirement benefit is apportioned.

Eligibility to Participate – for FURS Part-Paid Firefighters

Part-paid firefighters become eligible to participate in FURS once they have earned \$300 in a fiscal year. Previously, statute was unclear on whether the limit applied to a calendar year or a fiscal year.

NOTE 5. CHANGES IN ACTUARIAL ASSUMPTIONS AND METHODS

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 30, 2017 actuarial valuation:

	FURS	PERS
General Wage Growth*	3.50%	3.50%
Investment rate of return*	7.65%	7.65%
*Includes inflation at	2.75%	2.75%
Merit salary increases	0% to 6.3%	0% to 6.3%
Asset valuation method	4-year smoothed market	4-year smoothed market
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percentage of pay, open	Level percentage of pay, open
Mortality (Healthy members)	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year.	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year.
Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table	For Males and Females: RP 2000 Combined Mortality Table
Admin Expense as % of Payroll	0.23%	0.26%

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

Rosie Barndt, CPA, P.C.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Central Valley Fire District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Central Valley Fire District's basic financial statements and have issued my report thereon dated December 11, 2018.

Internal Control over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central Valley Fire District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Rosie Barndt, CPA, PC

December 11, 2018

CENTRAL VALLEY FIRE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2018

None.

CENTRAL VALLEY FIRE DISTRICT
CURRENT STATUS OF PRIOR YEAR RECOMMENDATIONS
YEAR ENDED JUNE 30, 2018

There were no findings, questioned costs, or deficiencies in internal control reported for the year ended June 30, 2017.