

**CENTRAL VALLEY FIRE DISTRICT**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2021**

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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, 2021, 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, 2021, 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 4 - 8 and required supplementary information as listed in the table of contents on pages 36 - 42, 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 Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Central Valley Fire District 's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated February 7, 2022 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*

February 7, 2022

CENTRAL VALLEY FIRE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021

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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, 2021. Please review this report along with the District's financial statements, which begin on page 9.

### **FINANCIAL HIGHLIGHTS**

- EMS transport services generated \$741,000 in revenue.
- Responded to the nationwide COVID pandemic with PPE, sanitation, and CDC response protocols.
- Received \$1,000,000 in Federal COVID funding.
- Supplemental revenue was received from out of state wildland fire deployments.

### **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, 2021

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Table 1 provides a summary of the District's net position at June 30, 2021 and 2020.

(Table 1)		
Net Position		
	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Current assets	\$ 7,636,755	\$ 5,337,152
Capital assets, net	<u>11,108,779</u>	<u>10,746,455</u>
Total assets	<u>18,745,534</u>	<u>16,083,607</u>
Deferred outflows of resources - pension	<u>1,308,369</u>	<u>756,852</u>
Current liabilities	514,828	650,908
Non-current liabilities	<u>6,526,177</u>	<u>5,737,773</u>
Total liabilities	<u>7,041,005</u>	<u>6,388,681</u>
Deferred inflows of resources	<u>11,554</u>	<u>18,978</u>
Net position:		
Net investment in capital assets	6,804,913	6,144,187
Restricted for apparatus and facilities	1,650,581	1,308,482
Unrestricted net position	<u>4,545,850</u>	<u>2,980,131</u>
Total net position	<u>\$ 13,001,344</u>	<u>\$ 10,432,800</u>

CENTRAL VALLEY FIRE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021

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The following table presents the changes in the District's net assets for the fiscal years ending June 30, 2021 and 2020:

(Table 2)  
Changes in Net Position

	<u>2021</u>	<u>2020</u>
General revenues:		
Taxes	\$ 4,221,376	\$ 3,959,240
Intergovernmental revenues	2,034,304	1,441,275
Investment earnings	23,915	45,757
Miscellaneous	<u>352,249</u>	<u>379,933</u>
Total general revenues	<u>6,631,844</u>	<u>5,826,205</u>
Program revenues:		
Charges for service	1,056,465	824,188
Operating grants	<u>1,352,420</u>	<u>766,530</u>
Total program revenue	<u>2,408,885</u>	<u>1,590,718</u>
 Total revenue	 <u>\$ 9,040,729</u>	 <u>\$ 7,416,923</u>
Expenses:		
Public safety	\$ 6,472,185	\$ 5,683,951
Less program revenues	<u>(2,408,885)</u>	<u>(1,590,718)</u>
Net expenses	4,063,300	4,093,233
 General revenues	 <u>6,631,844</u>	 <u>5,826,205</u>
 Change in net position	 2,568,544	 1,732,972
 Net position - beginning	 <u>10,432,800</u>	 <u>8,699,828</u>
 Net position - ending	 <u>\$ 13,001,344</u>	 <u>\$ 10,432,800</u>

CENTRAL VALLEY FIRE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

In fiscal year 2021, the district did not undertake any major growth projects. The focus was to settle into the new administrative fire station and begin to build capital reserves for apparatus replacement and future fire department facility needs. The District maintains an Operational Reserve of ½ the annual Operations and Personnel budget.

**DISTRICT OVERVIEW**

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

The culmination of six years legislative and public education work resulted in the City of Belgrade annexing into the District with a 97% affirmative vote of city residents. The City continued contracting for services through fiscal year 2021. Starting in FY 2022, city residents will pay taxes directly to the District for emergency services.

**THE FUTURE OF THE DISTRICT**

The District is experiencing unprecedented growth. The COVID pandemic has started a national migration to rural areas and the Gallatin Valley is the recipient of many out-of-state people leaving their current situation. The influx of people has created a housing shortage coupled with very inflated housing prices. This has caused a challenge for a number of public safety entities and other employers in the valley to find and keep staffing.

The District placed on the May 2021 ballot and was successful in passing a permanent 10 mill levy for career staffing. This modest levy will assist CVFD in continuing to grow with the community.

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

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

- FY 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 - Began EMS transport program; ordered replacement ambulance for delivery in FY19, staff Station 2.

CENTRAL VALLEY FIRE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021

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**THE FUTURE OF THE DISTRICT (Continued)**

- Passed 14 mill levy the spring of 2018 for Station 1 construction and future CIP.
- FY's 18/19 - Built and moved into new Station 1, replaced an ambulance and upgraded the ladder truck.
- FY19 - Hire and train 6 SAFER grant funded firefighters to Staff Station 3 in FY2020
- FY 21 – Passed 10 mil levy
- FY 21 – Hired Fleet Manager/Mechanic
- FY 21 – Specs developed to replace Engines 5-7 & 5-5, to be ordered in FY 2022
- FY 22 – Start design of Station 6 south of Belgrade/River Rock, begin hiring firefighters for the station, three per year for four years, as funding allows.
- FY 22 – Fill Battalion Chiefs positions, update and publish 15-year Equipment Replacement Fund (ERF)
- FY 22 – Focus on regional partnerships for improved relationships and potential cost avoidance and/or cost reductions in delivery of training, responses, and fleet maintenance.
- FY 23 – Placing into service a transport unit to support increased call volume and keeping units in service as funding allows.
- Future – Administrative support position, Facilities/maintenance Manager, and possible functional consolidations with surrounding fire departments.

**BUDGET ANALYSIS**

The continued focus of the Fiscal Year 2021 budget was to provide value-based emergency services to the citizens and develop CIP reserves to be available for the growth of the district.

- The District came in slightly under budget. Unspent FY21 revenue was carried forward to cover the increase needed for the FY21 Operational Reserve Fund.
- All projections relating to EMS transport revenue generation were exceeded.
- The federal COVID funds received were held for wages until after the May 2021 mill levy election. Since the mill levy was renewed, the funds were transferred to apparatus CIP.

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

CENTRAL VALLEY FIRE DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2021

Governmental Activities:

ASSETS

Cash and cash equivalents	\$	7,071,271
Receivables:		
Ambulance fees, net		164,469
Property taxes		161,519
Grants		239,496
Capital assets, nondepreciable		530,227
Capital assets, depreciable, net		<u>10,578,552</u>
Total assets		<u>18,745,534</u>

DEFERRED OUTFLOWS OF RESOURCES		<u>1,308,369</u>
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LIABILITIES

Accounts payable		211,672
Accrued interest payable		136,863
Accrued payroll liabilities		149,432
Credit cards payable		16,861
Long-term liabilities:		
Due within one year		287,444
Due after one year		<u>6,238,733</u>
Total liabilities		<u>7,041,005</u>

DEFERRED INFLOWS OF RESOURCES		<u>11,554</u>
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NET POSITION

Net investment in capital assets		6,804,913
Restricted for apparatus and facilities		1,650,581
Unrestricted		<u>4,545,850</u>
Total net position	\$	<u><u>13,001,344</u></u>

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

CENTRAL VALLEY FIRE DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021

<u>Governmental Activities:</u>	Expenses	<u>Program Revenue</u>		Net (Expenses) Revenue
		Charges for Services	Operating Grants	
Public safety - fire protection	\$ 6,456,167	\$ 1,056,465	\$ 1,352,420	\$ (4,047,282)
General revenues				
Property taxes				4,221,376
Intergovernmental				2,018,286
Miscellaneous				352,249
Investment earnings				<u>23,915</u>
Total general revenues				<u>6,615,826</u>
Change in net position				2,568,544
Net position - beginning				<u>10,432,800</u>
Net position - ending				<u>\$ 13,001,344</u>

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

CENTRAL VALLEY FIRE DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2021

ASSETS

Cash and cash equivalents	\$	7,071,271
Receivables:		
Ambulance fees, net		164,469
Property taxes		161,519
Grants		<u>239,496</u>
 Total assets	 \$	 <u><u>7,636,755</u></u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES

Liabilities:		
Accounts payable	\$	211,672
Accrued payroll liabilities		149,432
Credit cards payable		<u>16,861</u>
Total liabilities		<u>377,965</u>
Deferred inflows of resources:		
Unavailable ambulance fees		113,033
Unavailable property taxes		<u>65,853</u>
Total deferred inflows of resources		<u>178,886</u>
Fund balances:		
Restricted for:		
Apparatus and facilities		1,650,581
Committed		1,482,384
Unassigned		<u>3,946,939</u>
Total fund balances		<u>7,079,904</u>
 Total liabilities, deferred inflows, and fund balances	 \$	 <u><u>7,636,755</u></u>

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

CENTRAL VALLEY FIRE DISTRICT  
RECONCILIATION OF THE BALANCE SHEET OF THE  
GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION  
JUNE 30, 2021

Total fund balance, governmental fund	\$ 7,079,904
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund.	11,108,779
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental fund.	
Deferred outflows of resources - pensions	1,308,369
Deferred inflows of resources - pensions	(11,554)
Property taxes not received within 60 days of year-end are not available to pay current period expenditures and, therefore, are deferred in the governmental fund.	65,853
Accounts receivable related to ambulance billings not received within 60 days of year-end are not available to pay current period expenditures and, therefore, are deferred in the governmental fund.	113,033
Some liabilities, including compensated absences and net pension liability, are not due and payable in the current period and, therefore, are not included in the governmental fund.	(2,222,311)
Liabilities related to debt issues are not recognized in the governmental fund until due.	<u>(4,440,729)</u>
Net position of governmental activities	<u>\$ 13,001,344</u>

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

CENTRAL VALLEY FIRE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
YEAR ENDED JUNE 30, 2021

Revenues:	
Property taxes	\$ 4,180,541
Intergovernmental	1,661,485
Charges for services	943,432
Operating grants	1,352,420
Miscellaneous	352,249
Investment earnings	<u>23,915</u>
Total revenues	<u>8,514,042</u>
Expenditures:	
Current	
Public safety - fire protection:	
Personnel services	4,272,861
Supplies	509,544
Purchased services	589,924
Fixed charges	40,247
Capital outlay	679,180
Debt service	
Principal	298,402
Interest	<u>125,903</u>
Total expenditures	<u>6,516,061</u>
Excess (deficiency) of revenues over expenditures	1,997,981
Fund balances - beginning	<u>5,081,923</u>
Fund balances - ending	<u>\$ 7,079,904</u>

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

CENTRAL VALLEY FIRE DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021

Net change in fund balances \$ 1,997,981

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

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

Capital outlay	679,180
Depreciation expense	(316,856)

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

Increase (decrease) in unavailable property taxes	40,835
Increase (decrease) in unavailable ambulance revenue	113,033
State pension aid (on-behalf payment)	356,801

The governmental fund reports principal repayments as expenditures. In contrast, these reduce the liability in the statement of net position. 298,402

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

Compensated absences	(73,166)
Adjustment to actuarial pension expense	(513,097)
Accrued interest payable	<u>(14,569)</u>

Change in net position of governmental activities \$ 2,568,544

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

CENTRAL VALLEY FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

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**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, 2021, 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, 2021, the District received program revenue from ambulance and fire protection services provided. Taxes and other items are reported as general revenues.

Basis of Presentation - Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

CENTRAL VALLEY FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Cash and Investments

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

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

Ambulance Receivable

The District charges for the ambulance services which it provides. Most of the invoices are submitted to insurance companies and are subject to billing adjustments. Based on the District's estimate, the receivable and related revenue have been reduced by approximately \$135,000 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, 2021

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**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, 2021

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fire Protection Impact Fee Revenues

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

On June 30, 2021, the County held \$26,775 in the impact fee fund.

Fund Balance

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

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

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

The committed fund balance category includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, the Board of Trustees. The Board needs to formally adopt a Resolution in order to establish, modify, or rescind a fund balance commitment. As of June 30, 2021, the District had committed fund balances of \$61,461 for an employee benefit plan, \$420,923 for the facilities capital reserve, and \$1,000,000 for the apparatus capital reserve.

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

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

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

CENTRAL VALLEY FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Net Position

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

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

Restricted Property Taxes

As of June 30, 2021, the District had a restricted fund balance/net position of \$1,650,581 for unspent property taxes which are restricted for payment of construction of improvements on land owned or leased by the District and the purchase of firefighting and emergency response apparatus and equipment.

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.

**NOTE 2. CASH AND INVESTMENTS**

The composition of cash and investments held by the District as of June 30, 2021, is as follows:

Petty cash	\$ 1,310
Gallatin County External Investment Pool	<u>7,069,961</u>
Total	<u>\$ 7,071,271</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, 2021

**NOTE 3. CAPITAL ASSETS**

Capital asset activity for fiscal year ended June 30, 2021 was as follows:

Governmental activities:	Balance June 30, 2020	Additions	Deletions	Transfers	Balance June 30, 2021
Capital assets, not being depreciated:					
Land	\$ 530,227	\$ -	\$ -	\$ -	\$ 530,227
Capital assets, being depreciated:					
Buildings	10,665,817	42,664	-	-	10,708,481
Equipment	985,441	416,761	-	-	1,402,202
Furniture	-	-	-	-	-
Improvements	34,300	-	-	-	34,300
Vehicles	<u>4,086,930</u>	<u>219,755</u>	<u>-</u>	<u>760,610</u>	<u>5,067,295</u>
Total	15,772,488	679,180	-	760,610	17,212,278
Less: accumulated depreciation	<u>(5,556,260)</u>	<u>(316,856)</u>	<u>-</u>	<u>(760,610)</u>	<u>(6,633,726)</u>
Capital assets, being depreciated, net	<u>10,216,228</u>	<u>362,324</u>	<u>-</u>	<u>-</u>	<u>10,578,552</u>
Governmental activities capital assets, net	<u>\$10,746,455</u>	<u>\$362,324</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$11,108,779</u>

**NOTE 4. LONG-TERM LIABILITIES**

Summary of long-term liabilities

Long-term liability activity for the year ended June 30, 2021 was as follows:

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
Note from direct borrowing	\$ 4,602,268	\$ -	\$ (298,402)	\$ 4,303,866	\$ 287,444
Compensated absences	291,093	73,166	-	364,259	-
Net pension liability	<u>1,142,815</u>	<u>715,237</u>	<u>-</u>	<u>1,858,052</u>	<u>-</u>
Total	<u>\$ 6,036,176</u>	<u>\$ 788,403</u>	<u>\$ (298,402)</u>	<u>\$ 6,526,177</u>	<u>\$ 287,444</u>

General Obligation Note

During the year ended June 30, 2019, the District issued a General Obligation Note directly to a local bank for the purpose of financing the construction of Station One. The Note is to be amortized over 15 years, with interest accruing at the rate of 3.18% and payable in annual installments of principal and interest commencing June 30, 2020 and continuing through June 30, 2033. Interest will be added to any delinquent installments at 3.18% from the due date of the installment until payment thereof.

CENTRAL VALLEY FIRE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2021

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**NOTE 4. LONG-TERM LIABILITIES (CONTINUED)**

The approximate annual debt service requirements to maturity for the General Obligation Note as of June 30, 2021 are as follows:

Year ending June 30	Principal	Interest	Total
2022	\$ 287,444	\$ 136,863	\$ 424,307
2023	296,585	127,722	424,307
2024	306,018	118,291	424,309
2025	315,750	108,559	424,309
2026	325,792	98,519	424,311
2027-2031	1,791,128	330,441	2,121,569
2032-2034	981,149	55,701	1,036,850

**NOTE 5. RETIREMENT PLANS**

Plan Description – Firefighter’ Unified Retirement System (FURS)

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

Plan Description –Public Employee Retirement System (PERS)

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

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

CENTRAL VALLEY FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

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**NOTE 5. RETIREMENT PLANS (CONTINUED)**

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

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

The following information uses the June 30, 2020 and 2019 measurement dates for the June 30, 2021 and 2020 reporting dates, respectively. All dates noted on the following pages are reporting dates, unless otherwise specified.

Summary of Benefits – FURS

*Service retirement and monthly benefit formula:*

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

*Second retirement:*

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

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

CENTRAL VALLEY FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

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**NOTE 5. RETIREMENT PLANS (CONTINUED)**

Summary of Benefits – FURS (continued)

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

*Member's compensation period used in benefit calculation*

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

*Compensation Cap*

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

*Guaranteed Annual Benefit Adjustment (GABA)*

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

*Minimum Benefit Adjustment (non-GABA)*

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

CENTRAL VALLEY FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

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**NOTE 5. RETIREMENT PLANS (CONTINUED)**

Summary of Benefits – PERS

*Service retirement:*

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

*Early retirement:*

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

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

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

*Member's highest average compensation (HAC)*

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

CENTRAL VALLEY FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

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**NOTE 5. RETIREMENT PLANS (CONTINUED)**

Summary of Benefits – PERS (continued)

*Compensation Cap*

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

*Monthly benefit formula*

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

*Guaranteed Annual Benefit Adjustment (GABA)*

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

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

Overview of Contributions

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

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

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

CENTRAL VALLEY FIRE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2021

**NOTE 5. RETIREMENT PLANS (CONTINUED)**

Overview of Contributions (continued)

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

FURS	Fiscal Year	Member		Employer	State
		Non-GABA	GABA		
	1998-2021	9.50%	10.70%	14.36%	32.61%
	1997	7.80%		14.36%	32.61%

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

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

Employer contributions to the system:

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

CENTRAL VALLEY FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

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**NOTE 5. RETIREMENT PLANS (CONTINUED)**

Overview of Contributions (continued)

Non Employer Contributions:

Special Funding

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

Stand-Alone Statements

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

Actuarial Assumptions

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

FURS

- Investment Return (net of admin expense) 7.34%
- Admin Expense as % of Payroll 0.13%
- General Wage Growth\* 3.50%
- \*includes Inflation at 2.40%
- Merit Increases 0% to 6.3%
- Postretirement Benefit Increases
  - i. **Guaranteed Annual Benefit Adjustment (GABA)**  
Hired on or after July 1, 1997, or those electing GABA, and has been retired for at least 12 months, the member's benefit increases by 3.0% each January.
  - ii. **Minimum Benefit Adjustment (non-GABA)**  
Members with 10 or more years of membership service and if the member did not elect GABA – the minimum benefit provided should be less than 50% of the current base compensation of a newly confirmed active firefighter of the employer that last employed the member as a firefighter.
- Mortality assumptions among contributing members, service retired members and beneficiaries were based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using Scale BB, males set back one year for males.
- Mortality assumptions among Disabled Members were based on RP 2000 Combined Mortality Tables with no projections.

CENTRAL VALLEY FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

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**NOTE 5. RETIREMENT PLANS (CONTINUED)**

Actuarial Assumptions (continued)

PERS

- Investment Return (net of admin expense) 7.34%
- Admin Expense as % of Payroll 0.30%
- General Wage Growth\* 3.50%
- \*includes Inflation at 2.40%
- Merit Increases 0% to 4.80%
- Postretirement Benefit Increases

**Guaranteed Annual Benefit Adjustment (GABA)**

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

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
  - a. 1.5% for each year PERS is funded at or above 90%;
  - b. 1.5% reduced by 0.1% for each 2.0% PERS is funded below 90%; and
  - c. 0% whenever the amortization period for PERS is 40 years or more.
- Mortality:
  - Mortality assumptions among contributing members, service retired members and beneficiaries were based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2021 with scale BB, males set back 1 year.
  - Mortality assumptions among disabled members were based on RP 2000 Combined Mortality Tables with no projections.

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a report dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. The long-term rate of return as of June 30, 2020, was calculated using the average long-term capital market assumptions published in the *Survey of Capital Market Assumptions 2020 Edition* by Horizon Actuarial Service, LLC, yielding a median real rate of return of 4.94%. The assumed inflation is based on the intermediate inflation of 2.4% in the *2020 OASDI Trustees Report* by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.34%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020, are summarized in the table below.

CENTRAL VALLEY FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 5. RETIREMENT PLANS (CONTINUED)**

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return Arithmetic Basis
Cash	2.00%	0.11%
Domestic Equity	30.00%	6.19%
International Equity	16.00%	6.92%
Private Investments	14.00%	10.37%
Natural Resources	4.00%	3.43%
Real Estate	9.00%	5.74%
Core Fixed Income	20.00%	1.57%
Non-Core Fixed Income	5.00%	3.97%
<b>Total</b>	<b>100.00%</b>	

Discount Rate

The discount rate used to measure the TPL was 7.34%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. For FURS, the State contributed 32.61% of salaries paid by employers; for PERS, the State contributed 0.10% of the salaries paid by local governments. In addition, the state contributed a statutory appropriation from the general fund. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2123 and 2133 for PERS and FURS, respectively. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

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 7.34%, 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 - 6.34%	Current Discount Rate	1.0% Increase - 8.34%
<u>FURS</u>			
Employer's proportion of net pension liability	\$ 2,874,935	\$ 1,777,574	\$ 895,838
<u>PERS</u>			
Employer's proportion of net pension liability	\$ 110,773	\$ 80,478	\$ 55,030

CENTRAL VALLEY FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

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**NOTE 5. RETIREMENT PLANS (CONTINUED)**

Summary of Significant Accounting Policies

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

Net Pension Liability

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

As GASB Statement 68 allows, a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2020 (measurement date) was determined by taking the results of the June 30, 2019 actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the State of Montana's NPL for June 30, 2021, and 2020, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. Due to the existence of the special funding situation, the state is required to report a proportionate share of a local government's collective NPL that is associated with the non-state employer. The state's proportionate share for a particular employer equals the ratio of the contributions for a particular employer to the total state contributions paid. The employer recorded a liability of \$1,777,574 and \$80,478 and the employer's proportionate share was 1.1360% and 0.003050% for FURS and PERS, respectively.

CENTRAL VALLEY FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 5. RETIREMENT PLANS (CONTINUED)**

Net Pension Liability (continued)

	Net Pension Liability as of 6/30/21	Net Pension Liability as of 6/30/20	Percent of Collective NPL as of 6/30/21	Percent of Collective NPL as of 6/30/20	Change in percent of Collective NPL
<u>FURS</u>					
Employer					
Proportionate Share State of Montana	\$ 1,777,574	\$ 1,096,852	1.1360%	0.9562%	0.1798%
Proportionate Share associated with Employer	<u>4,007,241</u>	<u>2,652,749</u>	<u>2.5609%</u>	<u>2.3125%</u>	<u>0.2484%</u>
Total	<u>\$ 5,784,815</u>	<u>\$ 3,749,601</u>	<u>3.6969%</u>	<u>3.2687%</u>	<u>0.4282%</u>
<u>PERS</u>					
Employer					
Proportionate Share State of Montana	\$ 80,478	\$ 45,962	0.0031%	0.0022%	0.0009%
Proportionate Share associated with Employer	<u>25,248</u>	<u>14,901</u>	<u>0.0010%</u>	<u>0.0007%</u>	<u>0.0002%</u>
Total	<u>\$ 105,726</u>	<u>\$ 60,863</u>	<u>0.0040%</u>	<u>0.0029%</u>	<u>0.0011%</u>

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

- The discount rate was lowered from 7.65% to 7.34%.
- The investment rate of return was lowered from 7.65% to 7.34%.
- The inflation rate was reduced from 2.75% to 2.40%.

**Changes in benefit terms**

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

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

CENTRAL VALLEY FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 5. RETIREMENT PLANS (CONTINUED)**

Net Pension Liability (continued)

	Pension Expense as of 6/30/21	Pension Expense as of 6/30/20
<b>FURS</b>		
Employer Proportionate Share	\$ 448,906	\$ 302,615
State of Montana Proportionate Share for Employer	<u>1,015,421</u>	<u>552,636</u>
Total	<u>\$ 1,464,327</u>	<u>\$ 855,251</u>
	Pension Expense as of 6/30/21	Pension Expense as of 6/30/20
<b>PERS</b>		
Employer Proportionate Share	\$ 16,291	\$ (1,550)
State of Montana Proportionate Share for associated with the Employer	<u>4,129</u>	<u>1,012</u>
Total	<u>\$ 20,420</u>	<u>\$ (538)</u>

At June 30, 2021, the employer recognized \$448,906 and \$16,291 for its proportionate share of the FURS' and PERS' pension expense, respectively. The employer also recognized grant revenue of \$1,015,421 and \$4,129 for the support provided by the state of Montana for the proportionate share of the pension expense that is associated with the employer for FURS' and PERS', respectively.

Recognition of Deferred Inflows and Outflows

At June 30, 2021, 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
<b>FURS</b>		
Differences between actual and expected experience	\$ 120,985	\$ 9,253
Changes in assumptions	315,774	-
Difference between projected and actual earnings on pension plan investments	228,206	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	319,574	-
#Contributions paid subsequent to the measurement date - FY 2021 contributions	<u>291,794</u>	<u>-</u>
Total	<u>\$ 1,276,333</u>	<u>\$ 9,253</u>

CENTRAL VALLEY FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 5. RETIREMENT PLANS (CONTINUED)**

Recognition of Deferred Inflows and Outflows (continued)

<u>PERS</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 1,299	\$ 2,301
Changes in assumptions	5,573	-
Difference between projected and actual earnings on pension plan investments	6,969	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,259	-
#Contributions paid subsequent to the measurement date - FY 2021 contributions	9,936	-
Total	<u>\$ 32,036</u>	<u>\$ 2,301</u>

# Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2022.

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			
	PERS		FURS	
2022	\$	5,600	\$	226,999
2023	\$	10,023	\$	250,698
2024	\$	2,435	\$	215,282
2025	\$	1,741	\$	139,275
Thereafter	\$	-	\$	143,032

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)	\$ 1,777,574	\$ 80,478	\$ 1,858,052
Deferred outflows of resources	\$ 1,276,333	\$ 32,036	\$ 1,308,369
Deferred inflows or resources	\$ 9,253	\$ 2,301	\$ 11,554
Pension expense	\$ 448,906	\$ 16,291	\$ 465,197

CENTRAL VALLEY FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

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**NOTE 6. INTER-LOCAL AGREEMENTS**

Gallatin Airport Authority

The District entered into an interlocal agreement with the Gallatin Airport Authority (Airport) which was effective September 14, 2017. The agreement states that the District is responsible to provide incident management for all accidents or incidents at the Airport and establishes each entity's responsibility for training and planning necessary to be prepared for emergencies at the Airport. The agreement also states that each entity will enter into a ground lease for the approximate 3.5 acres of land on which station one was built. The initial term of the lease is for 40 years with the option to renew for two 20-year terms. Rent for this land is \$52,000 a year, which was determined to be the payment-in-lieu of real estate taxes that the Airport would pay to the District. Therefore, there is no exchange of cash as a result of this agreement or lease.

**NOTE 7. OPERATING LEASE**

In February 2017, the District entered into a sixty-month operating lease for a copier at a monthly rental of \$120, expiring January 15, 2022. Future minimum lease payments are as follows:

Year ending:

June 30, 2022	\$	840
---------------	----	-----

For the year ended June 30, 2021, lease expense amounted to \$1,440.

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, 2022	\$	15,812
June 30, 2023	\$	13,510

For the year ended June 30, 2021, lease expense amounted to \$15,500.

**NOTE 8. COMMITMENTS AND CONTINGENCIES**

The District was involved in a lawsuit arising in the ordinary course of operations. After June 30, 2021, but before these financial statements were issued, it was determined that the District is responsible for attorney fees in the amount of \$25,000. This has been accrued as a liability as of June 30, 2021.

CENTRAL VALLEY FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

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**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.

**NOTE 10. SUBSEQUENT REPORTABLE EVENTS**

Due to the COVID19 pandemic, the District may realize delayed collections and receipts in future periods. The likelihood and impact of the potential delays are uncertain.

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, 2021

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
<b><u>FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM</u></b>							
2021	1.136000%	\$ 1,777,574	\$ 4,007,241	\$ 5,784,815	\$ 1,983,073	89.64%	75.34%
2020	0.956200%	\$ 1,096,853	\$ 2,652,749	\$ 3,749,602	\$ 1,658,080	66.15%	80.08%
2019	0.847900%	\$ 976,511	\$ 2,232,850	\$ 3,209,361	\$ 1,335,352	73.13%	79.03%
2018	0.689300%	\$ 779,118	\$ 1,769,290	\$ 2,548,408	\$ 1,032,324	75.47%	77.77%
2017	0.628700%	\$ 718,115	\$ 1,627,023	\$ 2,345,138	\$ 885,391	81.11%	75.48%
2016	0.578400%	\$ 591,619	\$ 1,317,692	\$ 1,909,311	\$ 777,348	76.11%	76.90%
2015	0.534100%	\$ 521,404	\$ 1,176,262	\$ 1,697,666	\$ 693,825	75.15%	76.70%
<b><u>PUBLIC EMPLOYEES RETIREMENT SYSTEM</u></b>							
2021	0.003050%	\$ 80,478	\$ 25,248	\$ 105,726	\$ 51,182	157.24%	68.90%
2020	0.002199%	\$ 45,962	\$ 14,901	\$ 60,863	\$ 36,279	126.69%	73.85%
2019	0.002200%	\$ 45,089	\$ 15,033	\$ 60,122	\$ 35,527	126.91%	73.47%
2018	0.002900%	\$ 57,125	\$ 683	\$ 57,808	\$ 36,637	155.92%	73.75%
2017	0.002800%	\$ 47,843	\$ 585	\$ 48,428	\$ 33,644	142.20%	74.71%
2016	0.004500%	\$ 62,708	\$ 770	\$ 63,478	\$ 52,352	119.78%	78.40%
2015	0.003800%	\$ 47,352	\$ 578	\$ 47,930	\$ 43,019	110.07%	79.90%

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

CENTRAL VALLEY FIRE DISTRICT  
SCHEDULE OF CONTRIBUTIONS  
FOR THE LAST TEN FISCAL YEARS\*  
YEAR ENDED JUNE 30, 2021

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>					
2021	\$ 291,794	\$ 291,794	\$ -	\$ 2,031,999	14.359948%
2020	\$ 291,891	\$ 291,891	\$ -	\$ 1,983,073	14.719125%
2019	\$ 228,503	\$ 228,503	\$ -	\$ 1,658,080	13.781181%
2018	\$ 196,543	\$ 191,757	\$ -	\$ 1,335,352	14.360034%
2017	\$ 147,967	\$ 147,967	\$ -	\$ 1,032,324	14.333388%
2016	\$ 126,587	\$ 126,587	\$ -	\$ 885,391	14.297299%
2015	\$ 113,799	\$ 113,799	\$ -	\$ 777,348	14.639389%
<u>PUBLIC EMPLOYEES RETIREMENT SYSTEM</u>					
2021	\$ 9,936	\$ 9,936	\$ -	\$ 113,297	8.769870%
2020	\$ 4,484	\$ 4,484	\$ -	\$ 51,182	8.760893%
2019	\$ 3,120	\$ 3,120	\$ -	\$ 36,279	8.600017%
2018	\$ 3,009	\$ 3,009	\$ -	\$ 35,527	8.469615%
2017	\$ 3,045	\$ 3,045	\$ -	\$ 36,637	8.311270%
2016	\$ 2,812	\$ 2,812	\$ -	\$ 33,644	8.358102%
2015	\$ 4,314	\$ 4,314	\$ -	\$ 52,352	8.240373%

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

CENTRAL VALLEY FIRE DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2021

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget <u>Over (Under)</u>
Revenues:			
Property taxes	\$ 4,200,922	\$ 4,180,541	\$ (20,381)
Other	2,167,263	2,318,332	151,069
Grants	1,035,000	1,352,420	317,420
Re-appropriated reserves	<u>4,174,530</u>	<u>-</u>	<u>(4,174,530)</u>
Total revenues	<u>11,577,715</u>	<u>7,851,293</u>	<u>(3,726,422)</u>
Expenditures:			
Current:			
Public Safety:			
Personal services	3,858,411	3,610,112	(248,299)
Operations	1,061,445	1,139,715	78,270
Debt service	-	424,305	424,305
Capital outlay	1,612,305	679,180	(933,125)
Capital and operating reserves	<u>4,924,860</u>	<u>-</u>	<u>(4,924,860)</u>
Total expenditures	<u>11,457,021</u>	<u>5,853,312</u>	<u>(5,603,709)</u>
Excess of revenues over (under) expenditures	120,694	1,997,981	1,877,287
Fund balance - beginning		<u>5,081,923</u>	
Fund balance - ending		<u>\$ 7,079,904</u>	
Reconciliation:			
Total revenues per statement of revenues, expenditures, and changes in fund balance		\$ 8,514,042	
Less on behalf payment		<u>(662,749)</u>	
Total revenues, budgetary basis		<u>\$ 7,851,293</u>	
Total expenditures per statement of revenues, expenditures, and changes in fund balance		\$ 6,516,061	
Less on behalf payment		<u>(662,749)</u>	
Total expenditures, budgetary basis		<u>\$ 5,853,312</u>	

CENTRAL VALLEY FIRE DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2021

**NOTE 1. BUDGET COMPLIANCE**

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

**NOTE 2. BUDGET BASIS OF ACCOUNTING**

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

**NOTE 3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

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

**NOTE 4. CHANGES OF BENEFIT TERMS**

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

**2017:**

**Working Retiree Limitations** – for PERS

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

**Refunds**

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

**Interest credited to member accounts**

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

**Lump-sum payouts**

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

**Disabled PERS Defined Contribution (DC) Members**

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

CENTRAL VALLEY FIRE DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2021

**NOTE 4. CHANGES OF BENEFIT TERMS (Continued)**

**2017:**

**Working Retiree Limitations – for FURS**

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

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

**Second Retirement Benefit – for FURS**

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

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

CENTRAL VALLEY FIRE DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2021

**NOTE 4. CHANGES OF BENEFIT TERMS (Continued)**

**Refunds**

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

**Interest credited to member accounts**

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

**Lump-sum payouts**

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

CENTRAL VALLEY FIRE DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2021

**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, 2019 actuarial valuation:

	FURS	PERS
General Wage Growth*	3.50%	3.50%
Investment rate of return*	7.65%	7.65%
*Includes inflation at	2.75%	2.75%
Merit salary increases	0% to 6.3%	0% to 8.47%
Asset valuation method	4-year smoothed market	4-year smoothed market
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percentage of payroll, open	Level percentage of payroll, open
Remaining amortization period		30 years
Mortality (Healthy members)	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year.	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year.
Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table	For Males and Females: RP 2000 Combined Mortality Table, with no projections
Admin Expense as % of Payroll	0.13%	0.30%

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



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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, 2021, and the related notes to the financial statements, which collectively comprise the Central Valley Fire District's basic financial statements and have issued my report thereon dated February 7, 2022.

**Internal Control over Financial Reporting**

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Rosie Barndt, CPA, PC*

February 7, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors  
Central Valley Fire District  
Belgrade, Montana

**Report on Compliance for Each Major Federal Program**

I have audited Central Valley Fire District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2021. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

My responsibility is to express an opinion on compliance for the District's major federal program based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for the major federal program. However, my audit does not provide a legal determination of the District's compliance.

***Opinion on Each Major Federal Program***

In my opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

### **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Rosie Barnett, CPA, PC*

February 7, 2022

CENTRAL VALLEY FIRE DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Total Federal Expenditures
U.S. Department of Treasury			
<u>Passed through State of Montana and Gallatin County, Montana</u>			
COVID-19 - Coronavirus Relief Fund	21.019	-	\$ 1,080,735
<u>Federal Emergency Management Agency</u>			
SAFER grant	97.083	EMW-2017-FH-00148	<u>271,684</u>
Total federal financial assistance			<u>\$ 1,352,419</u>

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Central Valley Fire District under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Basis of Accounting*

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

*De Minimis Indirect Cost Rate*

The District has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

CENTRAL VALLEY FIRE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021

**Section I - Summary of Auditor's Results**

***Financial Statements***

The auditor's report expresses an unmodified opinion on whether the financial statements of Central Valley Fire District were prepared in accordance with GAAP.

Internal control over financial reporting:

- There were no material weaknesses identified.
- There were no significant deficiencies identified.
- No instances of noncompliance material to the financial statements of Central Valley Fire District were disclosed during the audit.

***Federal Awards:***

Internal control over the major program:

- There were no material weaknesses identified.
- There were no significant deficiencies identified.

The auditor's report on compliance for the major federal award program for Central Valley Fire District expresses an unmodified opinion on the major federal program.

There were no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a).

The program tested as a major program is as follows:

CFDA #21.019                      U.S. Department of Treasury  
Passed-through State of Montana and Gallatin County

The \$750,000 threshold was used in distinguishing between Type A and Type B programs.

Central Valley Fire District was not determined to be a low-risk auditee.

**Section II – Financial Statement Findings**

None reported.

**Section III – Federal Award Findings and Questioned Costs**

None reported.

CENTRAL VALLEY FIRE DISTRICT  
CURRENT STATUS OF PRIOR YEAR RECOMMENDATIONS  
YEAR ENDED JUNE 30, 2021

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None reported.