

Nicole M. Noonan, CPA, P.C.

435 Little Mill Creek Road

St. Regis, Montana 59866

Phone: (406) 649-2436

Cell phone: (406) 239-4260

E-mail: noonanaccounting@hotmail.com

January 11, 2022

Board of Trustees
Missoula Rural Fire District
Missoula, Montana

I have audited the financial statements of the governmental activities and each major fund of Missoula Rural Fire District (the District) for the year ended June 30, 2020. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated September 15, 2021. Professional standards also require that I communicate to you the following information related to my audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2020. I noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements are the postemployment benefits liability estimate, which is based on an actuarial study of Missoula County's health insurance plan and the net pension liability estimate, which is based on actuarial studies of the state PERS and FURS plans. We evaluated the key factors and assumptions used to develop the postemployment benefits liability and the net pension liability in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. There was one material misstatement related to due from other governments and revenue timing that was detected as a result of audit procedures, which was corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated January 7, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditor. However, these discussions occurred in the normal course of our professional relationship and my responses were not a condition to my retention.

Other Matters

I applied certain limited procedures to management's discussion and analysis, budgetary comparison information, the schedule of proportionate share of net pension liability, the schedule of pension contributions, and the schedule of changes in other postemployment benefits liability and related ratios, which are required supplementary information (RSI) that supplements the basic financial statements. My procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the board of trustees and management of Missoula Rural Fire District and is not intended to be, and should not be, used by anyone other than these specified parties.

Nicole M. Noonan, CPA, P.C.

Nicole M. Noonan, CPA, P.C.

**Missoula Rural Fire District
Passed Adjusting Entries
6/30/2020**

PAJE #	Fund	Account Description	Debit	Credit
#1	General	Payroll Expense	\$ 39,157	
	General	Accrued Payroll		\$ 39,157
		<i>Pass on correcting accrued payroll.</i>		

Missoula Rural Fire District
Audit Report
Fiscal Year Ended June 30, 2020

**Missoula Rural Fire District
June 30, 2020**

TABLE OF CONTENTS

	<u>Page</u>
Organization – Trustees and Officials	1
Independent Auditor’s Report.....	3
Management’s Discussion and Analysis.....	7
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet-Governmental Funds.....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	17
Notes to the Financial Statements	19
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual-General Fund.....	43
Notes to the Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual.....	44
Schedule of Proportionate Share of Net Pension Liability and Schedule of Pension Contributions	45
Notes to the Schedule of Proportionate Share of Net Pension Liability	47
Schedule of Changes in Other Postemployment Benefits Liability and Related Ratios.....	49
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 <i>Government Auditing Standards</i>	51
Schedule of Findings and Responses	53
Report on Prior Audit Report Recommendations	54

This page intentionally left blank

**Missoula Rural Fire District
June 30, 2020**

ORGANIZATION

OFFICIALS AT JUNE 30, 2020

TRUSTEES

Larry Hanson, Chair

Ben Murphy, Vice-Chair

Chuck Beagle, Secretary

Dan Corti

Dick Mangan

FIRE CHIEF

Christopher M. Newman

ASSISTANT FIRE CHIEF-OPERATIONS

Paul Finlay

ASSISTANT FIRE CHIEF-FIRE MARSHAL

Brent L. Christopherson

OFFICE MANAGER

Melissa Schnee

This page intentionally left blank

Nicole M. Noonan, CPA, P.C.

435 Little Mill Creek Road

St. Regis, Montana 59866

Phone: (406) 649-2436

Cell phone: (406) 239-4260

E-mail: noonanaccounting@hotmail.com

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Missoula Rural Fire District
Missoula, Montana

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and each major fund of Missoula Rural Fire District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Missoula Rural Fire 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 each major fund of Missoula Rural Fire District, as of June 30, 2020, 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

Prior-Year Comparative Information

I have previously audited the District's fiscal year 2019 financial statements, and I expressed unmodified opinions on the respective financial statements of the governmental activities and each major fund in my report dated February 4, 2021. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of changes in other postemployment benefits liability and related ratios, the schedule of proportionate share of net pension liability, and the schedule of pension contributions on pages 7-12 and 43-49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated January 7, 2022 on my consideration of Missoula Rural 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 solely 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 effectiveness of Missoula Rural Fire District's 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 Missoula Rural Fire District's internal control over financial reporting and compliance.

Nicole M. Noonan, CPA, P.C.

Nicole M. Noonan, CPA, P.C.
St. Regis, Montana
January 7, 2022

This page intentionally left blank



MISSOULA RURAL FIRE DISTRICT

2521 South Avenue West • Missoula, Montana 59804

(406) 549-6172 • FAX (406) 549-6023

www.mrfdfire.org

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Missoula Rural Fire District, we offer readers of the Missoula Rural Fire District's financial statements this narrative overview and analysis of the financial activities of the Missoula Rural Fire District for the fiscal year ended June 30, 2020.

FINANCIAL HIGHLIGHTS

The District's net position increased by \$1,293,561, or approximately 54% in 2020. In 2020 total revenues increased by \$1,850,182 or approximately 23% mostly because of the increase in tax revenue received in 2020 is a result of the 2019 voted Mill Levy increase passing and an increase in grant revenue from the SAFER Grant. Total expenses increased by \$1,193,124 or approximately 16%. These changes are discussed in more detail later in this management's discussion and analysis.

USING THIS ANNUAL REPORT

This annual report consists of financial statements for the District as a whole with more detailed information for the District's general and capital improvement funds.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Government-Wide financial statements, the Statement of Net Position and the Statement of Activities (pages 13 and 14), present a long-term view of the District's finances and reported using the accrual basis of accounting. The Government-Wide financial statements include both current and noncurrent assets such as capital assets and current and noncurrent long-term liabilities. They also provide information about the activities of the District as a whole. See Note 1 Basis of Presentation, Measurement Focus and Basis of Accounting for further information.

FUND FINANCIAL STATEMENTS

The fund financial statements, the Balance Sheet-Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances (pages 15 and 16) present a short-term view of the District's activities and reported using the modified accrual basis of accounting. Fund financial statements report current assets expected to be collected in the very near future and current liabilities expected to be paid in the very near future. The fund financial statements focus is on major funds of the District and each major fund's financial information is discretely presented in separate columns. See Note 1 Basis of Presentation, Measurement Focus and Basis of Accounting for further information.

THE DISTRICT AS A WHOLE

One important question asked about the District's finances is, "Is the District's financial condition better or worse as a result of the year's activities?" The information in the government-wide financial statements helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting (and report depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies.

The change in net position (the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources) over time is one indicator of whether the District's financial health is improving or deteriorating. The District's net position increased \$1,293,561 in 2020. However, you need to consider other nonfinancial factors in making an assessment of the District's health, such as changes in the economy, changes in the District's tax base, and changes in the District's boundaries, etc. to assess the overall health of the District.

ANALYZING THE DISTRICT

Changes in the District's net position were as follows:

	2020	2019	Change	% Change
Current Assets	4,157,210	3,151,245	1,005,965	32%
Capital assets, net	2,964,973	2,285,951	679,022	30%
Total Assets	<u>7,122,183</u>	<u>5,437,196</u>	<u>1,684,987</u>	31%
Deferred Outflows-OPEB expense	65,266	25,612	39,654	155%
Deferred Outflows-pension expense	1,130,717	1,290,318	(159,601)	-12%
Total Deferred Outflows	<u>1,195,983</u>	<u>1,315,930</u>	<u>(119,947)</u>	-9%
Current Liabilities	535,350	395,432	139,918	35%
Noncurrent liabilities	3,776,002	3,576,641	199,361	6%
Total Liabilities	<u>4,311,352</u>	<u>3,972,073</u>	<u>339,279</u>	9%
Deferred Inflows-OPEB expense	63,717	31,904	31,813	100%
Deferred Inflows-pension expense	270,955	370,568	(99,613)	-27%
Total Deferred Inflows	<u>334,672</u>	<u>402,472</u>	<u>(67,800)</u>	-17%
Net Position	<u>3,672,142</u>	<u>2,378,581</u>	<u>1,293,561</u>	54%
Net Position consist of:				
Net investment in capital assets	2,651,973	2,285,951	366,022	16%
Unrestricted	1,020,169	92,630	927,539	1001%
Total	<u>3,672,142</u>	<u>2,378,581</u>	<u>1,293,561</u>	54%

The increases and decreases in deferred outflows and in deferred inflows of resources results from the District recording of the change in pension amounts and other postemployment benefit (OPEB) amounts. See Note 6, State-Wide Retirement Plans and Note 7, Postemployment Benefits for further details.

The increase in liabilities is due to an increase in capital debt and an increase in the compensated absences payable.

Changes in the District's revenues were as follows:

Program revenues:	2020	2019	Change	% Change
Charges for services	22,864	100,316	(77,452)	-77%
Operating grants	1,802,664	1,097,861	704,803	64%
Capital grants	-	-	-	N/A
Total program revenues	<u>1,825,528</u>	<u>1,198,177</u>	<u>627,351</u>	52%
General revenue:				
Property taxes	7,329,210	6,171,940	1,157,270	19%
Local option tax	-	9,513	(9,513)	-100%
Unrestricted federal/state shared revenues	791,000	768,080	22,920	3%
Unrestricted investment earnings	47,257	47,872	(615)	-1%
Unrestricted contributions and donations	-	8,391	(8,391)	-100%
Miscellaneous income	16,273	24,471	(8,198)	-34%
Total general revenues	<u>8,183,740</u>	<u>7,030,267</u>	<u>1,153,473</u>	16%
Loss on sale of capital asset	-	(69,358)	69,358	-100%
Total revenue	<u>10,009,268</u>	<u>8,159,086</u>	<u>1,850,182</u>	23%

Charges for service revenue decreased a due to reclassification of wildland revenue to operating grants and contributions.

Operating grant revenue shows an increase due to a reclassification of wildland revenue to operating grants and contributions and in large part to an increase in SAFER grant revenue.

District property taxes revenue increase is a result of the 2019 voted Mill Levy increase passing and in part because of the inflation factor used to determine the increase in tax revenue the District can levy under State law and in part due to collection of delinquent tax revenue and the related penalties and interest.

Unrestricted contributions and donations show a decrease of \$8,391 because of a decrease in donations in FY20.

Miscellaneous revenues decreased due to a decrease in vendor refunds.

Because the District's primary revenue source (property taxes) is only collected twice a year (at the end of November and the end of May), it is necessary to have sufficient working capital at the fiscal year end (June 30) to pay for operating costs for five months, through November. The District's cash requirements for operations averaged about \$637,732 per month for FY2019 and \$662,635.50 per month for FY2020 which is an increase of \$24,904 per month. The increase in tax revenue received in 2020 is a result of the 2019 voted Mill Levy increase passing.

Changes in the District's expenses were as follows:

	2020	2019	Change	% Change
General Government	925,966	847,196	78,770	9%
Public Safety	7,919,945	6,799,342	1,120,603	16%
Interest expense	-	6,249	(6,249)	-100%
Total Expenses	<u>8,845,911</u>	<u>7,652,787</u>	<u>1,193,124</u>	16%
Program Revenues	<u>1,825,528</u>	<u>1,198,177</u>	<u>627,351</u>	52%
Net Expenses before General Revenues	(7,020,383)	(6,454,610)	(565,773)	9%
General Revenues	8,183,740	7,030,267	1,153,473	16%
Loss on sale of capital asset	-	(69,358)	69,358	-100%
Change in Net Position	<u><u>1,163,357</u></u>	<u><u>506,299</u></u>	<u><u>657,058</u></u>	130%

The District shows an overall increase in expenses of \$1,193,124, excluding the increase in debt service interest expense. This increase is due to hiring and adding the 10 new firefighter positions, including training, salary, benefits, uniforms, turnouts and other personal protective equipment.

CAPITAL ASSET AND DEBT ADMINISTRATION

Missoula Rural Fire District provides fire protection services to the suburban and rural areas surrounding the City of Missoula. The area covered by the District is shaped similar to a doughnut. As time goes by, the City annexes suburban areas in the District (primarily as a result of providing sewer services to businesses and residences) and the District adds additional rural property to the area covered by the District, usually based on a petition from the residents.

Because of these regular changes in the District's boundaries, it is necessary to build new fire stations and dispose of old fire stations. Consequently, the District has adopted a 20-year life for the District's buildings. Also, major fire apparatus, mostly fire engines, do not wear out but become technologically obsolete by the passage of time. The District's policy is to replace its major equipment every 20 years. Consequently, a 20-year life is also used for most firefighting equipment. See Note 4 Capital Assets for further information about the District's capitalization policies.

District management saves on capital asset acquisition costs by monitoring and applying for Federal surplus property. In 2020, the District purchased two 2020 Freightliner Chassis for a build in progress for two Type 1 Engines to be completed in FY2021, an Ariel Truck, Stealth Mule Trailer, two treadmills and one vehicle exhaust system. The District also purchased land for the future building site for new Station 4.

The District had no capital asset disposals in 2020.

The Intercap loan balance increased due to the purchase of the new Ariel Truck partially financed with an Intercap Loan in FY 2020.

GENERAL FUND BUDGET

All expenditures were within budgeted amounts. All other significant changes in the fund financial statements have been explained above.

THE FUTURE OF THE DISTRICT

Missoula Rural Fire District (MRFD) uses a combination response model to provide emergency response personnel that answer the calls for service in our jurisdiction and assisting our mutual aid partners. We employ career firefighter/EMTs that are supported by resident volunteer firefighters/EMTs, community volunteer firefighters, and volunteer firefighter/EMTs. Career firefighter/EMT staffing provides the backbone of emergency response for MRFD. We employ 52 career firefighter/EMT's. Eighty-five percent of our on-duty, emergency response staffing is provided by these members.

In November of 2019, MRFD was the recipient of a 3-year Federal SAFER Grant. This grant will fund the ten new firefighters at 75%, 75% and 35% respectively over the 3-year period. This temporary increase in funding has freed up mill levy funds to support our much-needed apparatus replacement.

MRFD's apparatus replacement and upgrading remains a challenge, but the additional funding has allowed us to continue the replacement process of our aging fleet. We continue to update our 20-year apparatus replacement plan which will guide our apparatus replacement decisions long into the future. A new Type 5 will be completed in January of 2022 and a new water tender will be delivered in the spring of 2022. Also, MRFD recently ordered a new Type 1 and Type 3. These units are 365-465 days out from delivery.

The future of Missoula Rural Fire District continues to be filled with a variety of opportunities and challenges. MRFD provides service from five station locations and each of those stations face challenges to effectively serve our community. As the District grows, adequate workspace and living quarters in the stations is a concern. The feasibility to modify or expand old stations or construct new ones depends on the ability of MRFD to successfully develop revenue available for those tasks. MRFD is also exploring new station construction and remodel options. Station 4 and Station 1 were identified as the priority for new stations. The construction of a new Station 4 was started in November 2020 and will be completed in January of 2022. MRFD is in process of completing a Community Risk Assessment Standard of Cover (CRA/SOC) study. This project will be completed in January of 2022 and will help to identify the proper location of a new Station 1. Station 5 has been identified as the third priority and initial plans point to an addition and remodel to accomplish the goals of the District, but will be better understood at the conclusion of the CRA/SOC. We continue to perform preventative and regular maintenance to our current buildings through existing funding but are holding off on any significant station improvements until our future planning project is solidified.

The City of Missoula's growth plan directly affects the protection area and boundaries of MRFD. City expansion particularly affects the areas around Stations 1, 2, and 6. Conversely, MRFD's jurisdiction in other areas continues to expand due to steady growth in the County beyond the city limits. Planning for the future needs of the District without established timelines for City expansion or assurances that the planned expansion will take place makes preparing for the future difficult. We continue to be involved in Community Councils, Homeowners Associations, and Missoula County Planning and Building Department as an active part of the community as it grows.

In conclusion, the COVID pandemic has presented challenges, both financially and operationally. MRFD has been very attentive to the financial opportunities available through the Federal Government to help lessen the impact of the pandemic. The future of the District is stable and with careful stewardship of resources, MRFD will continue to be a viable and strong organization, constantly improving and providing efficient service to our community.

BASIC

FINANCIAL

STATEMENTS

Missoula Rural Fire District
Statement of Net Position
June 30, 2020 and 2019

	Governmental Activities	
	2020	2019
ASSETS		
Current assets		
Cash and investments	\$ 3,620,110	\$ 2,894,639
Taxes receivable	332,231	256,607
Due from other governments	204,869	-
Total current assets	4,157,210	3,151,246
Noncurrent assets		
Nondepreciable capital assets	479,115	159,222
Depreciable capital assets, net	2,485,858	2,126,729
Total noncurrent assets	2,964,973	2,285,951
Total assets	7,122,183	5,437,197
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension expense	1,130,717	1,290,318
Deferred postemployment benefits expense	65,266	25,612
Total deferred outflows of resources	1,195,983	1,315,930
LIABILITIES		
Current liabilities		
Accounts payable	67,578	926
Accrued payroll	253,614	236,825
Current portion of compensated absences	185,351	157,682
Current portion of loans payable	28,807	-
Total current liabilities	535,350	395,433
Noncurrent liabilities		
Noncurrent portion of compensated absences	556,054	473,046
Noncurrent portion of loans payable	284,193	-
Postemployment benefits liability	278,771	251,416
Net pension liability	2,656,984	2,852,179
Total noncurrent liabilities	3,776,002	3,576,641
Total liabilities	4,311,352	3,972,074
DEFERRED INFLOWS OF RESOURCES		
Deferred pension expense	270,955	370,568
Deferred postemployment benefits expense	63,717	31,904
Total deferred outflows of resources	334,672	402,472
NET POSITION		
Net investment in capital assets	2,651,973	2,285,951
Unrestricted	1,020,169	92,630
Total Net Position	\$ 3,672,142	\$ 2,378,581

See accompanying notes to the financial statements

Missoula Rural Fire District
Statement of Activities
For the Year Ended June 30, 2020
(With comparative net amounts for the year ended June 30, 2019)

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2020	2019
Program Activities						
Governmental activities:						
General government	\$ 925,966	\$ -	\$ -	\$ -	\$ (925,966)	\$ (847,196)
Public safety	7,919,945	22,864	1,802,664	-	(6,094,417)	(5,601,165)
Debt service - interest and other charges	-	-	-	-	-	(6,249)
Total government	<u>\$ 8,845,911</u>	<u>\$ 22,864</u>	<u>\$ 1,802,664</u>	<u>\$ -</u>	<u>(7,020,383)</u>	<u>(6,454,610)</u>
General revenues:						
Property taxes for general purposes					7,329,210	6,171,940
Local option tax					-	9,512
Unrestricted federal/state shared revenues					791,000	768,080
Unrestricted investment earnings					47,257	47,872
Unrestricted contributions & donations					-	8,391
Miscellaneous income					16,273	24,471
Gain (loss) on sale of a capital asset					-	(69,357)
Total general revenues and gain/(loss) on sale of capital assets					<u>8,183,740</u>	<u>6,960,909</u>
Change in net position					<u>1,163,357</u>	<u>506,299</u>
Net position, beginning of year					2,378,581	1,872,282
Restatements					130,204	-
Net position, beginning of year, restated					<u>2,508,785</u>	<u>1,872,282</u>
Net position, end of year					<u>\$ 3,672,142</u>	<u>\$ 2,378,581</u>

See accompanying notes to the financial statements

**Missoula Rural Fire District
Balance Sheet
Governmental Funds
June 30, 2020**

	Major Funds		Total Governmental Funds
	General Fund	Capital Improvements Fund	
ASSETS			
Cash and investments	\$ 3,380,094	\$ 240,016	\$ 3,620,110
Taxes receivable	332,231	-	332,231
Due from other governments	204,869	-	204,869
Total assets	<u>\$ 3,917,194</u>	<u>\$ 240,016</u>	<u>\$ 4,157,210</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 67,578	\$ -	\$ 67,578
Accrued payroll	253,614	-	253,614
Total liabilities	<u>321,192</u>	<u>-</u>	<u>321,192</u>
Deferred Inflows of Resources			
Deferred tax revenues	332,231	-	332,231
Fund Balances			
Assigned to capital projects	-	240,016	240,016
Unassigned	3,263,771	-	3,263,771
Total fund balance	<u>3,263,771</u>	<u>240,016</u>	<u>3,503,787</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 3,917,194</u>	<u>\$ 240,016</u>	<u>\$ 4,157,210</u>

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

Total fund balance for governmental funds	\$ 3,503,787
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,964,973
Taxes receivable are not available to pay current expenditures and, therefore, are deferred in the funds.	332,231
Postemployment benefits liabilities and related deferred inflows and outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.	(277,222)
Net pension liabilities and related deferred inflows and outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.	(1,797,222)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	(1,054,405)
Net position of governmental activities	<u>\$ 3,672,142</u>

See accompanying notes to the financial statements

Missoula Rural Fire District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	Major Funds			Total Governmental Funds
	General Fund	Capital Improvements Fund		
Revenues				
Taxes and assessments	\$ 7,253,586	\$ -	\$ -	\$ 7,253,586
Intergovernmental	2,747,245	-	-	2,747,245
Charges for services	22,864	-	-	22,864
Miscellaneous	16,273	-	-	16,273
Interest revenue	47,257	-	-	47,257
Total revenues	<u>10,087,225</u>	<u>-</u>	<u>-</u>	<u>10,087,225</u>
Expenditures				
Current:				
General government	925,966	-	-	925,966
Public safety	7,765,173	-	-	7,765,173
Capital outlay	833,829	189,984	-	1,023,813
Total expenditures	<u>9,524,968</u>	<u>189,984</u>	<u>-</u>	<u>9,714,952</u>
Excess (deficiency) of revenues over expenditures	<u>562,257</u>	<u>(189,984)</u>	<u>-</u>	<u>372,273</u>
Other Financing Sources (Uses)				
Transfers in	-	205,603	-	205,603
Transfers out	(205,603)	-	-	(205,603)
Proceeds from general long term debt	313,000	-	-	313,000
Proceeds from insurance claims	31,422	-	-	31,422
Net change in fund balance	<u>701,076</u>	<u>15,619</u>	<u>-</u>	<u>716,695</u>
Fund balance - beginning of year	<u>2,432,491</u>	<u>224,397</u>	<u>-</u>	<u>2,656,888</u>
Restatements	<u>130,204</u>	<u>-</u>	<u>-</u>	<u>130,204</u>
Fund balance - beginning of year, restated	<u>2,562,695</u>	<u>224,397</u>	<u>-</u>	<u>2,787,092</u>
Fund balance - end of year	<u>\$ 3,263,771</u>	<u>\$ 240,016</u>	<u>\$ -</u>	<u>\$ 3,503,787</u>

See accompanying notes to the financial statements

**Missoula Rural Fire District
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2020**

Net change in fund balance-total governmental funds (page 16)	\$ 716,695
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital assets purchased	1,023,812
Depreciation expense	(344,790)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Deferred revenue	75,624
In the Statement of Activities, on-behalf pension contributions are recorded based on the measurement period, while in the governmental funds on-behalf contributions are based on the reporting period:	
On-behalf recognized for the measurement period	1,066,594
On-behalf recognized for the reporting period	(1,251,597)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Change in accrued compensated absences	(110,677)
Change in postemployment benefits liability and related deferred inflows and outflows of resources	(19,514)
Change in net pension liability and related deferred inflows and outflows of resources	320,210
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Proceeds from Long term debt	<u>(313,000)</u>
Change in net position in governmental activities (page 14)	<u>\$ 1,163,357</u>

See accompanying notes to the financial statements

This page intentionally left blank

Missoula Rural Fire District
Notes to the Financial Statements
June 30, 2020

1. Summary of Significant Accounting Policies

The District follows U.S. generally accepted accounting principles (GAAP), which includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Financial Reporting Entity

The District was established under Montana law to provide fire protection and emergency services to residents of the District. The District is governed by a five-member Board of Trustees, who are elected from within the boundaries of the District. The Trustees appoint a fire chief who oversees the operations of the District. Based on the criteria for determining the reporting entity (separate legal entity and financial or fiscal dependency on other governments) the District is a primary government, as defined by GASB Cod. Sec. 2100, and has no component units. These financial statements present all activities over which the Board of Trustees exercises responsibility.

Basis of Presentation, Measurement Focus and Basis of Accounting

Government-wide Financial Statements:

Basis of Presentation

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Certain eliminations have been made for inter-fund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function. The District does not charge indirect expenses to programs or functions. The types of transactions reported as program revenues include 1) charges to customers or applicants, 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

Measurement Focus and Basis of Accounting

On the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred regardless of the timing of the cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The District generally applies restricted resources to expenses incurred before using unrestricted resources when both restricted and unrestricted net position is available.

Missoula Rural Fire District
Notes to the Financial Statements
June 30, 2020

1. Summary of Significant Accounting Policies (continued)

Fund Financial Statements:

Basis of Presentation

Fund financial statements of the District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. An emphasis is placed on major funds within the governmental category. Each major fund is displayed in a separate column in the governmental fund statements. A fund is considered major if it is the primary operating fund of the District or total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all governmental funds or the fund is particularly important to financial statement users.

Major Funds:

The District reports the following major governmental funds:

General Fund – This is the District’s primary operating fund, and it accounts for all financial resources of the District except those required to be accounted for in other funds.

Capital Improvements Fund – Authorized by Section 7-33-2111, MCA, for the purpose of financing the acquisition and replacement of facilities or equipment with a cost of \$5,000 or more and a life expectancy of at least five years. This fund can receive funds from any source, with prior contributions mainly coming from the General fund.

Measurement Focus and Basis of Accounting

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. “Measurable” means the amount of the transaction can be determined. “Available” means collectible within the current period or soon enough thereafter, 60 days, to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Capital asset acquisitions are reported as expenditures in governmental funds. When capital leases are utilized, the acquisition is reported as an expenditure and other financing source in the fund financial statements.

Missoula Rural Fire District
Notes to the Financial Statements
June 30, 2020

1. Summary of Significant Accounting Policies (continued)

Charges for current services, and interest associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the District.

2. Cash and Investments

Authorized investments allowed by Section 20-9-213, MCA, include savings or time deposits in a state or national bank, building or loan association, or credit union insured by the FDIC or NCUA located in the state; repurchase agreements; and the State Unified Investment Program. Further, Section 7-6-202, MCA, authorizes investments in U.S. government treasury bills, notes, bonds, U.S. Treasury obligations, treasury receipts, general obligations of certain agencies of the United States, and U.S. government security money market fund if the fund meets certain conditions.

The District's cash is held by the Missoula County Treasurer. The District participates in a County-wide investment program whereby all available cash is invested by the County Treasurer in pooled investments. Interest earned on the pooled investments is distributed to each contributing fund on a pro rata basis.

The District does not own specific identifiable investment securities in the pool. Information regarding credit risk, custodial credit risk and interest rate risk for Missoula County deposits and investments is available from the Missoula County Comprehensive Annual Financial Report. Fair value approximates carrying value for investments as of June 30, 2020. The Missoula County investment pool is not rated.

The District does not have a written investment policy, but limits its exposure to credit risk (the risk that an issuer or other counter party to an investment will not fulfill its obligation) by following state law and participating in the County's investment pool.

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned, or the District will not be able to recover the collateral securities in the possession of the outside party. The District's custodial credit risk is minimized by restrictions set forth in state law, which generally require that the District deposit all funds with the County Treasurer. The County is required by state law to have financial institutions pledge collateral equal to at least 50% of the total County-controlled demand and savings deposits held by that financial institution which are not insured.

Missoula Rural Fire District
Notes to the Financial Statements
June 30, 2020

3. Property Taxes

Property tax levies are set in August, in connection with the budget process, and are based on taxable values listed as of January 1 for all property located in the District. Taxable values are established by the Montana Department of Revenue, and 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 are generally billed in October and are payable 50% by November 30 and 50% by May 31. After these dates, taxes 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.

4. Capital Assets

The District's assets are capitalized at historical cost or estimated historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at acquisition value when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings and Improvements.....	20 years
Vehicles.....	7-20 years
Equipment.....	5-20 years

A summary of changes in capital assets was as follows:

	Balance July 1, 2019	Additions	Disposals	Balance June 30, 2020
Nondepreciable Capital Assets:				
Land	\$ 159,222	\$ -	\$ -	\$ 159,222
Construction in Progress	-	319,893	-	319,893
Total Nondepreciable Capital Assets	\$ 159,222	\$ 319,893	\$ -	\$ 479,115
Depreciable Capital Assets:				
Buildings and Improvements	\$ 1,391,908	\$ -	\$ -	\$ 1,391,908
Vehicles	3,452,458	679,675	-	4,132,133
Technical Equipment	1,243,400	24,244	-	1,267,644
Office Equipment	84,881	-	-	84,881
Total Depreciable Capital Assets	6,172,647	703,919	-	6,876,566
Less Accumulated Depreciation	(4,045,918)	(344,790)	-	(4,390,708)
Total Depreciable Capital Assets, Net	\$ 2,126,729	\$ 359,129	\$ -	\$ 2,485,858

**Missoula Rural Fire District
Notes to the Financial Statements
June 30, 2020**

4. Capital Assets (continued)

Capital assets depreciation expense was charged to functions as follows:

Governmental Activities:	
Public Safety	\$ 344,790
Total Depreciation Expense	<u>\$ 344,790</u>

5. Long-Term Liabilities

Long-term liabilities are recorded in the governmental-wide statement of net position. Changes in long-term liabilities during the year ended June 30, 2020 are as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Contracted Debt	\$ -	\$ 313,000	\$ -	\$ 313,000	\$ 28,807
Compensated Absences	630,728	110,677	-	741,405	185,351
Total	<u>\$ 630,728</u>	<u>\$ 423,677</u>	<u>\$ -</u>	<u>\$ 1,054,405</u>	<u>\$ 214,158</u>

Compensated Absences

District employees earn vacation leave ranging from fifteen to twenty-four days per year depending on the employee's years of service. Vacation leave may be accumulated not to exceed two times the maximum number of days earned annually. Sick leave is earned at a rate of one day per month. Upon retirement or termination, employees are paid for 100% of unused vacation leave and 25% of unused sick leave. For employees with twenty years of service to the District, 75% of unused sick leave is paid upon termination. All payments are made at the employee's current rate of pay.

6. State-Wide Retirement Plans

The District follows Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The standard requires the District to recognize and report certain amounts associated with their participation in the Public Employees' Retirement System (PERS) and the Firefighters' Unified Retirement System (FURS) including their proportionate share of the collective Net Pension Liability, Pension Expense, Deferred Inflows of Resources, and Deferred Outflows of Resources associated with pensions. The following notes include information regarding each state administered pension plan as a whole and the District's proportionate share of the plan's activities.

**Missoula Rural Fire District
Notes to the Financial Statements
June 30, 2020**

6. State-Wide Retirement Plans (continued)

Plan Description

PERS

The Public Employees' Retirement System-Defined Benefit Retirement Plan (PERS-DBRP) and Defined Contribution Retirement Plan (PERS-DCRP), are both administered by the Montana Public Employee Retirement Administration (MPERA), are multiple-employer, cost-sharing plans established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). These plans cover the State, local governments, certain employees of the Montana University System, and school districts.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be 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).

Member rates for the PERS-DCRP are established by state law and can only be amended by the Legislature. Benefits depend on eligibility and individual account balances. Participants are immediately vested in their own contributions and attributable income. Participants are vested after 5 years of membership services for the employer's contributions to individual accounts and the attributable income. Non-vested contributions are forfeited upon termination of employment per 19-3-2117(5), MCA. Such forfeitures are used to cover the administrative expenses of the PERS-DCRP.

As of June 30, 2020, PERS-DCRP contribution rates are the same as noted below for the PERS-DBRP. Of the employer contribution, 8.43% is deposited in the employees' retirement account, .04% supports the defined contribution education fund, and .30% is allocated to the long-term disability plan. The District has estimated pension expense related to the PERS-DCRP of \$4,398 for fiscal year 2020.

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

Missoula Rural Fire District
Notes to the Financial Statements
June 30, 2020

6. State-Wide Retirement Plans (continued)

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, 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 district departments that adopt the plan, and to firefighters hired by the Montana Air National Guard on or after October 1, 2001. Benefits are established by state law and can only be amended by the state 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. Member rights are vested after five years of service.

Summary of Benefits

PERS

Eligibility for Benefits

Service Retirement:

Hired prior to July 1, 2011:

- Age 60, 5 years of membership service;
- Age 65, regardless of membership service; or
- Any age, 30 years of membership service.

Hired on or after July 1, 2011:

- Age 65, 5 years of membership service;
- Age 70, regardless of membership service.

Early Retirement (actuarially reduced):

Hired prior to July 1, 2011:

- Age 50, 5 years of membership service; or
- Any age, 25 years of membership service.

Hired on or after July 1, 2011:

- Age 55, 5 years of membership service.

Missoula Rural Fire District
Notes to the Financial Statements
June 30, 2020

6. State-Wide Retirement Plans (continued)

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

Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:

- A refund of member's contributions plus return interest (.77% effective July 1, 2017)
- 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.

Retire 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.

Retire 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 the January after receiving the original and the new benefit for 12 months.

Vesting

5 years of membership service.

Member's Highest Average Compensation (HAC)

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

Compensation Cap

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

Monthly Benefit Formula

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.

Missoula Rural Fire District
Notes to the Financial Statements
June 30, 2020

6. State-Wide Retirement Plans (continued)

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 each January, inclusive of other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- For members hired on or after July 1, 2013
 - 1.5% for each year PERS-DBRP is funded at or above 90%;
 - 1.5% reduced by 0.1% for each 2% PERS-DBRP is funded below 90%; and
 - 0% whenever the amortization period for PERS-DBRP is 40 years or more.

FURS

Eligibility for Benefits and Benefit Formulas

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
- 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 highest monthly compensation (HMC) x years of service credit
- If membership service is greater or equal to 20 years:
 - 50% of HMC + 2% of HMC x years of service credit in excess of 20

Early Retirement:

Age 50 with 5 years of membership service – normal retirement benefit calculated using HAC and service credit.

Missoula Rural Fire District
Notes to the Financial Statements
June 30, 2020

6. State-Wide Retirement Plans (continued)

Second Retirement – applies to retirement system members re-employed in a FURS position on or after July 1, 2017:

If 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.

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.

Vesting

5 years of membership service.

Member's Compensation Period Used in Benefit Calculation

- Hired prior to July 1, 1981 and not electing GABA: Highest monthly compensation;
- 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 highest average compensation.

Missoula Rural Fire District
Notes to the Financial Statements
June 30, 2020

6. State-Wide Retirement Plans (continued)

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.

Overview of Contributions

PERS

Rates are specified by state law for periodic employer and employee contributions. The State legislature has the authority to establish and amend contribution rates to the plan.

Member contributions to the system

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

Employer contributions to the system

- State and University System employers are required to contribute 8.67% of members’ compensation for fiscal year 2019, increased to 8.77% for fiscal year 2020.
- Local government entities are required to contribute 8.57% of members’ compensation for fiscal year 2019, increased to 8.67% for fiscal year 2020.
- School district employers contributed 8.3% of members’ compensation for fiscal year 2019, increased to 8.4% for fiscal year 2020.
- Following the 2013 legislative session, PERS-employer contributions were temporarily increased. Effective July 1, 2013, employer contributions increased 1.0%. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The employer additional contributions including the 0.27% added in 2007 and 2009, terminates following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates.

Missoula Rural Fire District
Notes to the Financial Statements
June 30, 2020

6. State-Wide Retirement Plans (continued)

- Effective July 1, 2013, the additional employer contributions for DCRP and MUS-RP is allocated to the defined benefit plan's unfunded liability. Starting April 2016, those contributions are directed to member accounts.
- Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

Non-Employer Contributions

Special Funding - The State contributes 0.1% of members' compensation on behalf of local government entities and 0.37% of members' compensation on behalf of school districts. The State also contributed a statutory appropriation from the General fund of \$33,615,000 during fiscal year 2019.

FURS

Member contributions to the system

If member did not elect GABA, 9.5% of salary.

If member elected GABA, 10.7% of salary.

Employer contributions to the system

Employers are required to contribute 14.36% of members' compensation.

Non-Employer Contributions

Special Funding - The State contributes 32.61% of members' compensation on behalf of participating cities and participating rural fire districts.

Plan Financial Statements

PERS and FURS

The stand-alone financial statements of the Montana Public Employees Retirement Board (PERB) Comprehensive Annual Financial Report (CAFR) and the GASB 68 Reports disclose each Plan's fiduciary net position. The reports are available from 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>.

**Missoula Rural Fire District
Notes to the Financial Statements
June 30, 2020**

6. State-Wide Retirement Plans (continued)

Actuarial Assumptions

PERS and FURS

There were several significant assumptions and other inputs used to measure total pension liability. The actuarial assumptions used in the June 30, 2019 valuation were based on the results of the latest actuarial experience study, dated May 2017, for the six-year period July 1, 2010 to June 30, 2016. Among those assumptions were the following:

	<u>PERS</u>	<u>FURS</u>
General Wage Growth (includes inflation rate of 2.75%)	3.50%	3.50%
Merit Increases	0% to 4.80%	0% to 6.30%
Investment Return (net of admin expense)	7.65%	7.65%
Administrative Expense as % of Payroll	0.26%	0.25%

Guaranteed Annual Benefit Adjustment - see Summary of Benefits section above.

Mortality assumptions among contributing members, service retired members and beneficiaries were based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year. Mortality assumptions among disabled members were based on RP 2000 Combined Mortality Tables with no projections.

Discount Rate

PERS and FURS

The discount rate used to measure Total Pension Liability was 7.65% for PERS and FURS. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on each plans funding policy, which establishes the contractually required rates under Montana Code Annotated. Based on those assumptions, PERS and FURS fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122 and 2133, respectively. Therefore, the municipal bond rate was not required to be incorporated into the discount rate for either plan. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Missoula Rural Fire District
Notes to the Financial Statements
June 30, 2020

6. State-Wide Retirement Plans (continued)

Target Allocations

PERS and FURS

The long-term expected return on pension plan assets was reviewed as part of the regular experience studies prepared for the Plan. The most recent analysis, performed for the period of July 1, 2010 to June 30, 2016, was outlined in a report dated May 2017 and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019, are summarized in the table below.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash Equivalents	3.0%	4.09%
Domestic Equity	36.0%	6.05%
Foreign Equity	18.0%	7.01%
Fixed Income	23.0%	2.17%
Private Equity	12.0%	10.53%
Real Estate	8.0%	5.65%
Total	<u>100.0%</u>	

**Missoula Rural Fire District
Notes to the Financial Statements
June 30, 2020**

6. State-Wide Retirement Plans (continued)

Sensitivity Analysis

PERS and FURS

The following table discloses the sensitivity of Net Pension Liability to changes in the discount rate, showing Net Pension Liability calculated using the current discount rate, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

	1% Decrease 6.65%	Discount Rate 7.65%	1% Increase 8.65%
District's Proportionate Share of PERS Net Pension Liability	\$ 811,462	\$ 564,804	\$ 357,519
District's Proportionate Share of FURS Net Pension Liability	3,654,038	2,092,180	832,840

Summary of Significant Accounting Policies

PERS and FURS

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

Missoula Rural Fire District
Notes to the Financial Statements
June 30, 2020

6. State-Wide Retirement Plans (continued)

Net Pension Liability

PERS and FURS

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability. 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. For PERS and FURS, the basis for the TPL as of June 30, 2019, was determined by taking the results of the June 30, 2018 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 includes 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.

In accordance with GASB Statement No. 68, PERS and FURS have special funding situations in which the State of Montana is legally responsible for making contributions directly to PERS and FURS on behalf of employers. Due to the existence of the special funding situations, the District is required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the District.

At June 30, 2020, the District recorded a liability of \$564,804 and \$2,092,180 for its proportionate share of the Net Pension Liability of PERS and FURS, respectively. The Net Pension Liability was measured as of June 30, 2019. The District's proportion of the Net Pension Liability was based on the District's contributions of \$38,344 to PERS and \$435,855 to FURS, received during the measurement period of July 1, 2018 through June 30, 2019, relative to total employer contributions received from all participating employers. At June 30, 2019, the District's proportion was .0270% for PERS and 1.8238% for FURS. The District's proportionate share decreased .0041% for PERS and .0894% for FURS from fiscal year 2018 to fiscal year 2019.

PERS

	Net Pension Liability as of June 30,	
	2020	2019
District Proportionate Share	\$ 564,804	\$ 648,686
State of Montana Proportionate Share Associated with District	183,776	216,987
Total	\$ 748,580	\$ 865,673

**Missoula Rural Fire District
Notes to the Financial Statements
June 30, 2020**

6. State-Wide Retirement Plans (continued)

FURS

	Net Pension Liability as of June 30,	
	2020	2019
District Proportionate Share	\$ 2,092,180	\$ 2,203,493
State of Montana Proportionate Share Associated with District	5,059,949	5,038,415
Total	\$ 7,152,129	\$ 7,241,908

Pension Expense

PERS and FURS

At June 30, 2020, the District recognized pension expense of \$(68,632) and \$1,552,092 for its proportionate share of the PERS and FURS pension expense, respectively, which included \$12,476 and \$1,054,118, respectively, for the share associated with the State of Montana. The pension expense associated with the State of Montana was offset by grant revenue of \$12,476 for PERS and \$1,054,118 for FURS. The PERS expense was negative due to the decrease in the District's proportionate share from fiscal year 2018 to 2019.

Recognition of Deferred Outflow and Inflows of Resources

PERS and FURS

At June 30, 2020, the District reported its proportionate share of deferred outflows of resources and deferred inflows of resources from the following sources:

PERS

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 26,782	\$ 26,576
Changes in assumptions	23,978	-
Difference between projected and actual earnings on pension plan investments	6,848	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	222,674
Contributions paid to PERS subsequent to the measurement date of June 30, 2019 (Fiscal Year 2020 Contributions)	22,194	-
Total	\$ 79,802	\$ 249,250

Missoula Rural Fire District
Notes to the Financial Statements
June 30, 2020

6. State-Wide Retirement Plans (continued)

FURS

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 188,083	\$ 21,705
Changes in actuarial assumptions	154,255	-
Difference between projected and actual earnings on pension plan investments	69,718	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	90,813	-
Contributions paid to FURS subsequent to the measurement date of June 30, 2019 (Fiscal Year 2020 Contributions)	548,046	-
Total	\$ 1,050,915	\$ 21,705

Amounts reported as deferred outflows of resources resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of Net Pension Liability in fiscal year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year June 30,	Increase (Decrease) in Pension Expense	
	PERS	FURS
2021	\$ (111,580)	\$ 190,748
2022	(88,757)	102,666
2023	2,548	137,544
2024	6,147	66,871
Thereafter	-	(16,665)
	\$ (191,642)	\$ 481,164

7. Postemployment Benefits

The District follows Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement addresses accounting and financial reporting for postemployment benefits other than pensions (OPEB) that are provided to the employees of state and local governments, establishing standards for measuring and recognizing liabilities, deferred inflows and outflows of resources, and expenses/expenditures. For defined benefit OPEB plans, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

**Missoula Rural Fire District
Notes to the Financial Statements
June 30, 2020**

7. Postemployment Benefits (continued)

Plan Description

The District participates in the Missoula County Employee Benefits Plan, which is a multiple-employer defined benefit postemployment benefits plan sponsored and administered by Missoula County. Plan benefits and contributions are established and may be amended by the County's Board of County Commissioners. The postemployment benefits plan is reported as an agency fund in the Missoula County comprehensive annual financial report, which may be obtained from Missoula County at 200 West Broadway, Missoula, Montana 59802.

The County has not created a trust to accumulate assets for the plan, so costs are financed on a pay-as-you-go basis. The plan provides medical, dental, and vision coverage to retirees with the retiree paying the same premiums as current employees. Retiree age-adjusted premiums are typically higher than premiums for current employees, resulting in an 'implicit rate subsidy' for retirees that is paid as part of current employee premiums.

The plan covers Missoula County employees and allows certain other governments and affiliated nonprofit agencies within Missoula County to participate in the plan, including the Missoula Rural Fire District. Retirees and eligible spouses and dependents may be covered by the plan. Access to coverage is available to employees eligible for retirement. Employees are eligible for retirement based on PERS and FURS criteria, see Note 6.

The premiums paid by participants in the plan are determined by Missoula County on an annual basis. Continued medical, dental, and optical coverage is available for retirees for monthly participant contributions from \$479 to \$1,717, depending on coverage. Retirees choose between two medical options, a Standard Plan with a \$500 deductible and a \$3,500 out-of-pocket maximum and a High Deductible Plan with a \$2,500 deductible and a \$2,000 out-of-pocket maximum.

At June 30, 2020, there were the following plan participants:

Retirees receiving benefits	2
Active employees	57
	59

OPEB Liability

An actuarial valuation, dated and using a measurement date of June 30, 2020, calculated the collective total OPEB liability, deferred inflows of resources, deferred outflows of resources and activity for the Missoula County plan as a whole, including participating outside agencies. The Missoula Rural Fire District represents 6.4% of the plan, based on its proportionate share of the present value of future benefits. Changes in the OPEB liability for fiscal year 2020 are as follows:

**Missoula Rural Fire District
Notes to the Financial Statements
June 30, 2020**

7. Postemployment Benefits (continued)

	Fiscal Year Ending June 30, 2020
Beginning Postemployment Benefits Liability	\$ 251,416
Annual Service Cost	13,881
Interest	5,680
Difference between Expected and Actual Experience	(40,788)
Changes in Assumptions	48,582
Ending Postemployment Benefits Liability	\$ 278,771

OPEB Expense

During fiscal year 2020, the District recognized OPEB expense of \$19,514.

Assumptions and Other Inputs

The collective total OPEB liability was calculated using the following assumptions and other inputs, applied to all periods included in the measurement:

Discount Rate (S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2020):	2.66%
Payroll Growth:	2.5%
General Inflation:	3.0%

Mortality Rate: RP-2000 Combined Mortality Table Projection AA Fully Generational

Termination Before Retirement: MPERS pension actuarial valuation assumptions for 6/30/2019

Participation Rates:

- 25% of eligible employees are assumed to enroll in the plan.
- 26% of eligible employees are assumed to elect early retirement.
- 8% of those retiring at age 65 or greater are assumed to elect coverage.
- 56% of retirees electing medical coverage are assumed to enroll in the Standard Plan and 44% in the High Deductible Plan.
- Dental and vision coverage elections are assumed to be the same as current coverage.

Missoula Rural Fire District
Notes to the Financial Statements
June 30, 2020

7. Postemployment Benefits (continued)

Healthcare cost trend rate:

Year	Healthcare Cost Trend Rate
2020	6.10%
2021	5.90%
2022	5.80%
2023	5.60%
2024	5.40%
2025	5.20%
2026 and after	5.00%

Sensitivity Analysis

The following tables disclose the sensitivity of the total OPEB liability to changes in the discount rate and the healthcare cost trend rate, showing how the total OPEB liability would change if the rates used were increased or decreased by 1%.

	1% Decrease 1.66%	Discount Rate 2.66%	1% Increase 3.66%
Total Postemployment Benefits Liability	\$ 346,863	\$ 278,771	\$ 227,842

	1% Decrease 5.10%	Healthcare Cost Trend Rate 6.10%	1% Increase 7.10%
Total Postemployment Benefits Liability	\$ 223,023	\$ 278,771	\$ 355,424

Changes in Assumptions

Assumption	Description of Change
Discount Rate	Decreased from 3.36% to 2.66%.
Retiree Participation Rate	Retirees electing Standard Plan was decreased from 62% to 56%. Eligible enrollees assumed to elect early retirement was decreased from 36% to 26%. Percentage of those retiring at age 65 or greater that elect coverage was increased from 7.0% to 8.0%.
Spouse Participation Rate	Spouse participation rate was reduced from 33% to 30%.
Termination and Retirement Rate	Updated to reflect assumptions used in the MPERS pension actuarial valuation at 6/30/2019.
Medical Trend Rate	Updated to reflect recent industry trends.
Excise Tax	Removed due to repeal of tax in December 2019.

**Missoula Rural Fire District
Notes to the Financial Statements
June 30, 2020**

7. Postemployment Benefits (continued)

Deferred Inflows and Outflows of Resources

Differences between expected and actual experience in the measurement of the OPEB liability resulted in deferred inflows of resources of \$63,717 for the District. Deferred outflows of resources due to changes in assumptions and other inputs totaled \$65,266.

The net amounts reported as deferred outflows and inflows of resources for OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended June 30,	Increase (Decrease) in OPEB Expense
2021	\$ (47)
2022	(47)
2023	(47)
2024	(47)
2025	(47)
2026	(141)
2027	547
2028	802
2029	576
	\$ 1,549

Complete information regarding Missoula County's postemployment benefits is available in the County's comprehensive annual financial report.

8. Fund Balance/Restricted Net Position

Fund Balance

The District categorizes fund balance of the governmental funds into the following categories:

Nonspendable – resources not in spendable form, such as prepaid expenditures, or those legally required to be maintained intact, such as the principal portion of permanent funds.

Restricted – constraint is externally imposed by a third party, State Constitution or enabling legislation.

Committed – constraint is internally imposed by the Board of Trustees by resolution or majority vote.

Assigned – constraint is internally expressed by District Office Manager, Fire Chief, or Board of Trustees.

Unassigned – negative fund balance in all funds, or fund balance with no constraints in the General fund.

The District has not adopted a formal spending policy, but generally utilizes funds in the following order: restricted, committed, assigned, unassigned.

Missoula Rural Fire District
Notes to the Financial Statements
June 30, 2020

9. On-Behalf Benefit Payments

During fiscal year 2020, the State of Montana contributed \$1,251,597 on-behalf of the District to the FURS pension plan. This contribution was reported as offsetting intergovernmental revenues and public safety expenditures in the General fund. This activity is removed for the government-wide financial statements, since pension activity is reported as of the plan measurement date of June 30, 2019, as further discussed in Note 6.

10. Interfund Transactions

During fiscal year 2020, the District transferred \$205,603 from the General fund to the Capital Improvements fund to accumulate resources for capital projects.

11. Restatements

During fiscal year 2020, the District restated beginning fund balance and net position by \$130,204 to reflect the correction of prior year revenues in the General fund.

12. Comparative Totals

The government-wide financial statements include prior year comparative totals that are not at the level of detail required for presentation of financial statements in accordance with generally accepted accounting principles. These totals were derived from the government-wide financial statements for the fiscal year ended June 30, 2019.

13. Risk Management

The District faces a considerable number of risks of loss, (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e. errors and omissions, (d) workers' compensation, i.e. employee injuries, and (e) medical insurance costs of employees. A variety of methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss except for relatively small deductible amounts, are purchased for general liability, property and contents damage, and professional liabilities. Coverage limits and deductibles on the commercial policies have stayed relatively constant. Claims resulting from these risks have not exceeded commercial insurance coverage in the past three fiscal years.

The District participates in Missoula County's self-insured risk management plans for workers' compensation coverage and employee health insurance. Missoula County has the authority to amend the plans. Complete information regarding the Missoula County risk management plans is available in the County's comprehensive annual financial report.

Missoula Rural Fire District
Notes to the Financial Statements
June 30, 2020

14. Commitments

In August 2019, the District approved the purchase of two Type 1 fire engines for \$784,040. The District initiated the construction of the engines with the purchase of two chassis during fiscal year 2020 for \$189,984. The District was committed to provide the remaining \$594,056 when the engines were completed in November 2020.

The District hired an architect for Station 4 in April 2020 for \$310,000. The balance remaining on the contract at June 30, 2020 was \$191,741.

15. Subsequent Events

An InterCap loan of \$350,000 was used to partially fund the purchase of two Type 1 fire engines in November 2020.

In October 2020, the property for Fire Station 4 was purchased for \$147,600 and a contract with a construction contractor was approved for \$3,400,373. A construction loan for Station 4 was signed in November 2020.

In September 2020, the District adopted a fee schedule to enable the District to bill properties outside of the District.

During fiscal year 2021, the District began the purchase process for a new Type 5 Truck for \$80,000 and a new Water Tender for \$333,607. During fiscal year 2022, the District started the process to purchase a new Type 3 Truck for \$460,909 and a new Type 1 Truck for \$416,241. The purchasing process is estimated to take from 365 to 465 days, depending on the type of truck and current purchasing conditions.

The District received CARES Act funding of \$654,097 in November 2020 and \$1,566,272 in June 2021 for a total of \$2,220,369 to help prevent, prepare for, and respond to COVID-19. These funds were used to cover payroll costs of \$1,955,606 and medical supplies of \$264,763. Any potential future financial impacts related to the COVID-19 pandemic cannot be reasonably estimated at this time.

REQUIRED

SUPPLEMENTARY

INFORMATION

Missoula Rural Fire District
Schedule of Revenues, Expenditures, and Changes in Fund Balance-
Budget and Actual
General Fund
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
RESOURCES (INFLOWS):				
Property taxes	\$ 7,476,631	\$ 7,476,631	\$ 7,253,586	\$ (223,045)
Intergovernmental	962,778	962,778	2,747,245	1,784,467
Charges for services	20,500	20,500	22,864	2,364
Miscellaneous	24,250	24,250	16,273	(7,977)
Interest revenue	4,000	4,000	47,257	43,257
Proceeds from sale of capital assets	23,000	23,000	-	(23,000)
Transfers in	205,603	205,603	-	(205,603)
Proceeds from general long term debt	-	-	313,000	313,000
Proceeds from insurance claims	-	-	31,422	31,422
Amounts available for appropriation	<u>8,716,762</u>	<u>8,716,762</u>	<u>10,431,647</u>	<u>1,714,885</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	1,054,753	1,054,753	925,966	128,787
Public safety	7,636,398	8,887,995	7,765,173	1,122,822
Debt service expense - principal and interest	100,000	100,000	-	100,000
Capital outlay	612,894	612,894	833,829	(220,935)
Transfers out	205,603	205,603	205,603	-
Total charges to appropriations	<u>9,609,648</u>	<u>10,861,245</u>	<u>9,730,571</u>	<u>1,130,674</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (892,886)</u>	<u>\$ (2,144,483)</u>	701,076	<u>\$ 2,845,559</u>
Fund balance - beginning of year			2,432,491	
Restatements			<u>130,204</u>	
Fund balance - beginning of year, restated			<u>2,562,695</u>	
Fund balance - end of year			<u>\$ 3,263,771</u>	

See accompanying notes

Missoula Rural Fire District
Notes to the Schedule of Revenues, Expenditures, and
Changes in Fund Balance-Budget and Actual
June 30, 2020

1. Basis of Presentation

The accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual is presented on the modified accrual basis of accounting.

Missoula Rural Fire District
Schedule of Proportionate Share of the Net Pension Liability and Schedule of Pension Contributions
Public Employees Retirement System
For the Last Ten Fiscal Years*

Schedule of Proportionate Share of the Net Pension Liability

	PERS					
	2020	2019	2018	2017	2016	2015
Information based on plan measurement date						
District's proportionate share of net pension liability (as a percentage)	0.0270%	0.0311%	0.0442%	0.0614%	0.0684%	0.0796%
District's proportionate share of net pension liability	\$ 564,804	\$ 648,686	\$ 861,277	\$ 1,045,474	\$ 956,132	\$ 991,438
State of Montana proportionate share of net pension liability associated with the District	183,776	216,987	11,181	12,774	11,745	12,107
Total	<u>\$ 748,580</u>	<u>\$ 865,673</u>	<u>\$ 872,458</u>	<u>\$ 1,058,248</u>	<u>\$ 967,877</u>	<u>\$ 1,003,545</u>
District's covered payroll, based on plan measurement date	\$ 445,828	\$ 511,130	\$ 548,584	\$ 735,197	\$ 798,231	\$ 903,925
District's proportionate share of the net pension liability as a percentage of covered payroll	126.69%	126.91%	157.00%	142.20%	119.78%	109.68%
Plan fiduciary net position as a percentage of total pension liability	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

Schedule of Pension Contributions

	PERS					
	2020	2019	2018	2017	2016	2015
Information based on District fiscal year						
Contractually required contributions	\$ 22,194	\$ 38,344	\$ 43,293	\$ 45,917	\$ 62,428	\$ 67,385
Contributions recognized by the plan	22,194	38,344	43,293	45,917	62,428	67,385
Contribution difference	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll, based on District's fiscal year	\$ 255,988	\$ 445,828	\$ 511,130	\$ 548,584	\$ 735,197	\$ 798,231
Contributions recognized by the plan as a percentage of covered payroll	8.67%	8.60%	8.47%	8.37%	8.49%	8.44%

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

See accompanying notes

Missoula Rural Fire District
Schedule of Proportionate Share of the Net Pension Liability and Schedule of Pension Contributions
Firefighters Unified Retirement System
For the Last Ten Fiscal Years*

Schedule of Proportionate Share of the Net Pension Liability

	FURS				
	2020	2019	2018	2017	2015
Information based on plan measurement date					
District's proportionate share of net pension liability (as a percentage)	1.8238%	1.9132%	1.8920%	1.7151%	1.5223%
District's proportionate share of net pension liability	\$ 2,092,180	\$ 2,203,493	\$ 2,138,599	\$ 1,958,831	\$ 1,485,971
State of Montana proportionate share of net pension liability associated with the District	5,059,949	5,038,415	4,856,529	4,438,093	3,352,278
Total	<u>\$ 7,152,129</u>	<u>\$ 7,241,908</u>	<u>\$ 6,995,128</u>	<u>\$ 6,396,924</u>	<u>\$ 4,838,249</u>
District's covered payroll, based on plan measurement date	\$ 3,162,683	\$ 3,013,222	\$ 2,828,394	\$ 2,415,114	\$ 1,977,360
District's proportionate share of the net pension liability as a percentage of covered payroll	66.15%	73.13%	75.61%	81.11%	75.15%
Plan fiduciary net position as a percentage of total pension liability	80.08%	79.03%	77.77%	75.48%	76.71%

Schedule of Pension Contributions

	FURS				
	2020	2019	2018	2017	2015
Information based on District fiscal year					
Contractually required contributions	\$ 548,046	\$ 454,162	\$ 443,498	\$ 406,157	\$ 318,073
Contributions recognized by the plan	548,046	454,162	443,498	406,157	318,073
Contribution difference	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll, based on District's fiscal year	\$ 3,816,478	\$ 3,162,683	\$ 3,013,222	\$ 2,828,394	\$ 2,172,712
Contributions recognized by the plan as a percentage of covered payroll	14.36%	14.36%	14.72%	14.36%	14.64%

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

See accompanying notes

Missoula Rural Fire District
Notes to the Schedule of Proportionate Share of the Net Pension Liability
June 30, 2020

1. **Changes in Benefit Terms**

The following are factors that affect trends in the amounts reported.

PERS

2015 Legislative Changes:

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

Second Retirement Benefit – Applies to PERS members who return to active service on or after January 1, 2016.

Revise Defined Contribution Plan Funding Laws in House Bill 107, effective July 1, 2015
Employer Contributions and the Defined Contribution Plan – for PERS and MUS-RP

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

2017 Legislative Changes:

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

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

FURS

2015 Legislative Changes:

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

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

2017 Legislative Changes:

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

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

Missoula Rural Fire District
Notes to the Schedule of Proportionate Share of the Net Pension Liability
June 30, 2020

2. **Changes in Actuarial Assumptions and Other Inputs**

The following are factors that affect trends in the amounts reported.

PERS and FURS

Effective July 1, 2018, the following assumption changes were used:

- For FURS, increased the administrative expense load from 0.23% to 0.25%.

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

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

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

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

Missoula Rural Fire District
Schedule of Changes in Other Post Employment Benefits Liability and Related Ratios
For the Last Ten Fiscal Years*

	Fiscal Year Ending		
	June 30, 2020	June 30, 2019	June 30, 2018
Beginning Postemployment Benefits Liability	\$ 251,416	\$ 239,207	\$ 158,827
Change in Accounting Principle	-	-	58,428
Beginning Postemployment Benefits Liability, Restated	251,416	239,207	217,255
Annual Service Cost	13,881	12,635	12,958
Interest	5,680	8,037	7,495
Difference between Expected and Actual Experience	(40,788)	(11,547)	(28,515)
Changes in Assumptions	48,582	3,084	30,014
Ending Postemployment Benefits Liability	<u>\$ 278,771</u>	<u>\$ 251,416</u>	<u>\$ 239,207</u>
Covered Employee Payroll	\$ 4,643,572	\$ 3,612,866	\$ 3,881,031
Postemployment Benefits Liability to Covered Employee Payroll	6.0%	7.0%	6.2%

Note to Schedule: Assets are not accumulated in a trust to pay related benefits.

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

This page intentionally left blank

Nicole M. Noonan, CPA, P.C.

435 Little Mill Creek Road
St. Regis, Montana 59866
Phone: (406) 649-2436
Cell phone: (406) 239-4260
E-mail: noonanaccounting@hotmail.com

**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***

Board of Trustees
Missoula Rural Fire District
Missoula, 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 each major fund of Missoula Rural Fire District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Missoula Rural Fire District's basic financial statements and have issued my report thereon dated January 7, 2022.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Missoula Rural 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 Missoula Rural Fire District's internal control. Accordingly, I do not express an opinion on the effectiveness of Missoula Rural 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2020-001 that I consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Missoula Rural Fire District's financial statements are free from 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*.

Missoula Rural Fire District's Response to Findings

Missoula Rural Fire District's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. Missoula Rural Fire District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

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.

Nicole M. Noonan, CPA, P.C.

Nicole M. Noonan, CPA, P.C.
St. Regis, Montana
January 7, 2022

**Missoula Rural Fire District
Schedule of Findings and Responses
For the Year Ended June 30, 2020**

2020-001 Due from Other Governments (Material Weakness)

Criteria: Under generally accepted accounting principles, due from other governments and revenue should be recorded when revenue is earned but not received at year-end.

Condition: At June 30, 2020, due from other governments and revenue in the General fund were not recorded for a wildfire reimbursement of \$65,857 and a SAFER grant reimbursement of \$139,012. During fiscal year 2020, a wildfire reimbursement related to fiscal year 2019 was received for \$130,204 and recorded as revenue in fiscal year 2020.

Cause: The wildfire reimbursements and the SAFER grant reimbursement were received several months after being billed. The District did not know the revenue should be accrued in the period the wildfire and grant work were performed.

Effect: Wildfire revenue was overstated by \$130,204 and understated by \$65,857 in fiscal year 2020. Safer grant revenues were understated by \$139,012 in fiscal year 2020. Due from other governments at June 30, 2020 was understated by \$204,869. Beginning fund balance and net position were understated by \$130,204.

Context: The funds were received properly, but for reporting under generally accepted accounting principles, the timing of recording the revenues needed to be adjusted.

Repeat Finding: No.

Recommendations: At year-end, a review of subsequent receipts should be performed to determine if any receipts should be accrued in the previous fiscal year. Any billing that has not been received at year-end should also be reviewed for possible accrual.

Views of Responsible Officials: Moving forward the District will add the review of potential revenue and expenditures accruals to the year-end closing procedures.

Nicole M. Noonan, CPA, P.C.

*435 Little Mill Creek Road
St. Regis, Montana 59866
Phone: (406) 649-2436
Cell phone: (406) 239-4260
E-mail: noonanaccounting@hotmail.com*

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Board of Trustees
Missoula Rural Fire District
Missoula, Montana

The prior audit report contained one recommendation. The action taken on this recommendation is as follows:

<u>Number</u>	<u>Recommendation</u>	<u>Action Taken</u>
2019-001	Pension Reporting in Government-Wide Financial Statements	Implemented

Nicole M. Noonan, CPA, P.C.

Nicole M. Noonan, CPA, P.C.
St. Regis, Montana
January 7, 2022